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Shimon Peres
Taking risks for peace
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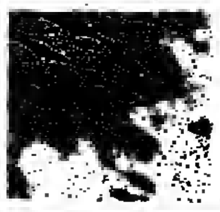
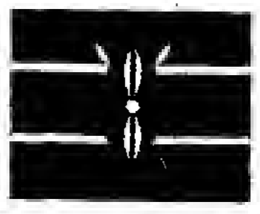


Asian growth
A miracle that will last
Martin Wolf, Page 12

Gene of distress
The war on Alzheimer's
Technology, Page 10



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IMF weighs up the reforms
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World Business Newspaper

TUESDAY JANUARY 23 1996

Peres seeks peace talks summit with Syrian president

Israeli prime minister Shimon Peres called for a summit with Syrian president Hafez al-Assad to ensure an Israeli-Syrian peace deal before the end of the year as the two countries prepare to resume peace talks in the US tomorrow. Mr Peres warned "time is running out" for a deal unless the two government leaders became directly involved in the negotiations. Page 14; Palestinian poll results, Page 4; Damascus dilemma, Page 13

TCI in Sega cable plan: TCI International, the international arm of the world's largest cable operator, is close to a deal with Sega Enterprises to launch Sega computer games channels on cable networks throughout Europe. Page 15

Nestlé, the world's largest foods group, unveiled a slight fall in 1995 sales, to SFr56.4bn ($47bn) from SFr56.9bn a year earlier as adverse exchange rates overshadowed strong growth. Page 18

Controversy hits Austrian coalition plan: The extremist views of a senior aide to Austria's far-right Freedom party leader Jörg Haider have embarrassed the conservative People's party, which is trying to form a coalition government. Page 8

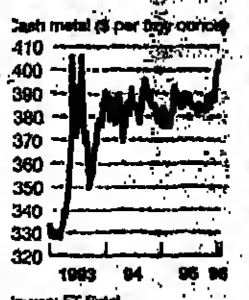
Forte bid result: The UK hotels business – which will hit the headlines today with the result of a £3.9bn ($6bn) hostile bid for Forte group by TV and leisure company Granada – is recovering after a long period in the doldrums. Page 9; Editorial Comment, Page 13; Lex, Page 21; MAM decision, Page 21

L'Oréal set to win Maybelline: The bid battle for Maybelline, the second biggest US cosmetics company, appeared to be over after German consumer products group Joh. A Benckiser bowed out of the competition with French cosmetics company, L'Oréal. Page 15; Lex, Page 14

Pakistan bank sell-off delayed: Pakistan's privatisation programme suffered a further hitch as the government announced that the planned sale of United Bank, the country's second largest bank, was being delayed for a second time. Page 14

Yeltsin 'likely to stand': Russian president Boris Yeltsin said he was likely to stand in presidential election in June, but he would wait until mid-February to announce a final decision. Ambitions worry reform camp, Page 2

London gold price hits 30-month high:



Source: FT Extel

Gold hit a 2½-year high of $408.1 an ounce in early London trading before retreating to close at $402.1. The metal's renewed volatility started early in the new year when the price jumped $10 an ounce – more than it had moved in the whole of 1995. Now dealers expect it to rise to at least $420. Pessimists say gold will then retreat but optimists predict a price above $600 an ounce before long. Page 15; Commodities, Page 23

Canada pushed on submarine deal: Canada is being pressed by Britain to decide whether it wants to buy four British Upholder-class diesel-electric submarines for C$400m (US$294m). Page 4

Mazda, the Japanese carmaker which is 24 per cent owned by Ford, announced plans to streamline its domestic marketing and sales. Page 17

Bank of Tokyo, one of Japan's largest and most prestigious commercial banks, said an employee had defrauded it of more than Y830m ($8.1m) over five years. Page 5

Beirut bourse reopens: The Beirut stock exchange, once the Middle East's busiest before it was closed at the height of the Lebanese civil war, resumed trading after a 13-year break. Page 4

Jordan halves exports to Iraq: Jordan plans to cut its exports to Iraq this year by nearly half to just over $200m, citing high debts to the kingdom by the beleaguered Baghdad government.

Irian Jayan hostage freed: Irian Jayan separatist rebels freed one of the 14 hostages – including six foreigners – held for two weeks since they were seized from Mapunduma village in the island's highlands.

Veal producers protest: French, Dutch and Belgian veal producers protested in Brussels against a draft European Union proposal to ban the use of crates for rearing calves and to impose a balanced diet. They argued the veal industry risked being sacrificed to animal protection.

STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	5,185.16	(+10.48)
NASDAQ Composite	1,026.15	(+7.7)
Europe and Far East		
CAC40	1,954.42	(-8.86)
DAX	2,360.53	(-8.23)
FT-SE 100	3,754.2	(+5.8)
Nikkei	20,196.53	(-159.23)

US LUNCHTIME RATES	
Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.104%
Long Bond	111½
Yield	6.019%

OTHER RATES		
UK: 3-mo Interbank	6¼%	(Same)
UK: 10 yr Gilt	106¾	(106⅞)
France: 10 yr OAT	106.83	(107.01)
Germany: 10 yr Bund	101.28	(101.32)
Japan: 10 yr JGB	111.132	(111.292)

NORTH SEA OIL (Argus)		
Brent 15-day (Mar)	$16.87½	(16.96)

GOLD		
New York Comex		
(Feb)	$404.6	(399.9)
London:		
close	$402.1	(399.6)

DOLLAR		
New York lunchtime		
£	1.5125	
DM	1.479	
FFr	5.05065	
SFr	1.1865	
Y	105.755	
London:		
£	1.5149	(1.5105)
DM	1.4765	(1.479)
FFr	5.043	(5.0483)
SFr	1.1860	(1.1935)
Y	105.755	(105.325)

STERLING		
DM	2.2363	(2.234)
Tokyo $ close:	Y 105.65	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh15	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira20	Spain	Pta250
Czech Rp	K550	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl 5.30	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (mainland)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	US$1.50			UAE	Dh12.00

Recriminations between Dutch and Germans as aircraft maker faces collapse

Daimler warns of $4bn loss as it ends support for Fokker

By Wolfgang Münchau in Stuttgart and Ronald van de Krol in Amsterdam

Daimler-Benz warned yesterday it would make a DM6bn ($4bn) loss for 1995, the worst ordinary result ever recorded by a German company, as it decided to end financial support for Fokker, its Dutch aircraft subsidiary.

The withdrawal from Fokker will cost Daimler-Benz DM2.3bn in write-offs, and put the Dutch group, the world's oldest aircraft maker, at acute risk of financial collapse. The move led to recriminations between the German company and the Dutch government over blame for Fokker's likely collapse.

The employees' best hopes of keeping their jobs now rest on the ability of Fokker's management and the Dutch government to find a buyer for some of its businesses.

Yesterday's announcement underlines Daimler-Benz's determination to dissociate itself from loss-making activities. The decision was taken by the group's supervisory board, which met in an emergency session. It followed the breakdown last Friday of last-ditch rescue talks between Mr Jürgen Schrempp, chairman of Daimler-Benz, and the Dutch government, which retains a minority stake.

Mr Wim Kok, the Dutch prime minister, refused to put up Fl1.3bn ($7bn) towards a proposed Fl2.3bn capital injection, which Daimler-Benz was seeking as a pre-condition for its own involvement. Fokker was being kept afloat by short-term finance from its parent company.

At a news conference, Mr Schrempp blamed Fokker's plight on the Dutch government. "I simply cannot understand our partner," he said, hinting that the Netherlands would be worse off with the loss of tax revenues and the corresponding increases in unemployment costs.

In The Hague, Mr Hans Wijers, the Dutch economic affairs minister, countered Daimler-Benz's accusation with claims that German demands on the Netherlands had been "extravagant". He called on Daimler-Benz to come up with a "clear and transparent plan" for Fokker.

Mr Schrempp denied suggestions that the decision to pull out of Fokker would harm the political relationship between Germany and the Netherlands. "If you consider what we have done for Fokker, how many billions [of D-Marks] we pumped into that company, you could say that we should not have spent so much."

Mr Manfred Gentz, finance director, said the DM2.3bn charge for Fokker involved a number of elements, including write-offs for 69 leased Fokker aircraft, currently owned by two Daimler-Benz financing companies.

He said the level of continued product support for these aircraft would constitute one of the key elements that would influence the residual values of these aircraft and the subsequent size of the write-off. Daimler-Benz said further provisions for Fokker would not exceed DM1bn.

Mr Wijers said the government would do its best to help parts of Fokker survive on their own. The most likely candidates for stand-alone status are Fokker Special Products, a defence sub-contractor, and Fokker Aircraft Services, a maintenance company. But these are small parts of the Fokker group, whose main activity is building 50-seater, 70-seater and 100-seater regional aircraft.

Bombardier of Canada and British Aerospace have already

Continued on Page 14
Lex, Page 14; Oversupply causes group difficulties, Page 20

Daimler-Benz chairman Jürgen Schrempp addressing a news conference in Stuttgart on the fate of subsidiary Fokker Picture: Reuter

Galileo reveals Jupiter's ferocious winds

Preliminary space probe findings show intense turbulence and little chance of primitive life

By Clive Cookson in London and Christopher Parkes in Mountain View, California

The first weather report from the giant planet Jupiter, transmitted by the Galileo space probe, shows intense turbulence and ferocious winds blowing at 330mph – far faster than Earth's worst hurricanes. Layers of intense heat and cold alternate through the thick Jovian atmosphere.

Scientists from Nasa, the US space agency, yesterday released the "startling discoveries" made by the probe during its hour-long suicide plunge through the atmosphere last month. They were the first direct observations of the gases surrounding any of the solar system's outer planets.

The dryness and absence of lightning are disappointing news for those who had fantasies that primitive life might have evolved there. The Nasa researchers say the conditions detected by the probe reduce "the probability of finding complex organic molecules in Jupiter's atmosphere".

Hydrogen overwhelmingly dominates the Jovian atmosphere, with surprisingly low levels of helium, neon and other elements. There is less water vapour and much less electrical activity than scientists had predicted.

But the unexpected findings would force astronomers to rethink their theories about the formation of planets, said Mr Richard Young, probe scientist at Nasa's Ames Research Centre in California.

The evidence of the winds, which increased in speed during the probe's 100-mile parachute descent, suggests "the energy source is probably heat escaping from the deep interior of the planet", he said. "This suggests a jetstream-like mechanism rather than swirling hurricane or tornado-like storms."

On the basis of observations from Earth and from the Voyager spacecraft in 1979, astronomers had predicted that the Galileo probe would fall through three layers of cloud. But it actually detected only one "modest" cloud structure – perhaps because the probe happened to plunge into one of the least cloudy areas on Jupiter.

Even so, Mr Wesley Huntress, Nasa's head of space science, said: "The quality of the Galileo probe data exceeds all of our most optimistic predictions. It will allow the scientific community to develop valuable new insights into the formation and evolution of our solar system and the origins of life within it."

Scientists on the $1.5bn project have had to endure many disappointments since the design work started 20 years ago, with the expectation that Galileo would reach Jupiter in the mid-1980s.

The worst setback was the failure of the main radio antenna early in the 2.3bn mile journey from Earth. But the improvised back-up arrangement, using a small navigational antenna and tape recorder, worked when it really mattered last month.

The Galileo spacecraft, which released the probe last July, will remain in orbit 130,000 miles above Jupiter for two more years, observing the planet and its moons. Meanwhile the probe scientists will continue to refine the preliminary observations released last night.

Tokyo pension fund warns life groups over investments

By Gerard Baker in Tokyo

Japan's largest public pension fund yesterday raised the flag of revolution in the country's already turbulent financial markets by threatening to remove its funds invested with the nation's life assurance companies.

The Pension Welfare Service Public Corporation, or Nempuku, an arm of the ministry of health and welfare, said it would withdraw up to Y5,000bn ($49bn) from the 18 leading life assurers unless they rescinded plans to reduce the minimum rate of return they promise their investors.

The life assurers currently offer to pay a minimum rate on assets of 4.5 per cent. But from April 1 the finance ministry will permit them to reduce that figure to 2.5 per cent, in recognition of the weakness of their own balance sheets.

The Nempuku is the first large institution to reject publicly the new guaranteed rate.

A spokesman for the fund, which manages a total of Y20,000bn in funds from state pension contributions, said that if the assurers did not agree to raise the new minimum rate, it would transfer the Y5,000bn to other fund managers by the end of the current financial year in March.

The minimum rate of return required by the Nempuku's own liabilities to its pensioners is not known, but analysts estimate it to be around 5 per cent.

If the threat is carried out, the life assurers will be forced into a fire sale of a significant proportion of their assets before March 31.

The immediate impact on financial markets could be dramatic.

The assurers, Japan's largest institutional investors, currently have about Y280,000bn in assets, divided roughly one-fifth in domestic equities, one-fifth in yen bonds, two-fifths in domestic loans and the remainder in foreign bonds and cash.

The companies are already under heavy pressure to liquidate many of their risk assets. Most of their funds still guarantee the minimum 4.5 per cent, but as equity markets and bond yields have plummeted in recent years, the average rate of return on their investments has been around 3.5 per cent. That has forced them to sell equities and foreign currency-denominated securities.

If they are forced to sell to repay the Nempuku's funds, the main targets are likely to be equities and bonds.

Life assurers are already committed to a long-term reduction in their equity allocations, but may also wish to realise big capital gains made in the rising bond market of the last five years.

But yesterday some of the life assurers were dismissive of the threat. "Where else will they get more than 2.5 per cent on their funds?" said a manager at one life assurance company.

Some speculated that the pressure could simply be a bargaining ploy by the fund in an effort to force the assurers'

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CONTENTS

Electronics group set to make £1bn US acquisition

By Christopher Price in London

Farnell Electronics, the fast-growing UK electronic components distributor, is poised to make its largest acquisition so far with a US purchase expected to be worth more than £1bn ($1.54bn).

Its target is thought to be all or part of Premier Industrial Corporation, the fourth largest US electronics distributor, although other companies being mentioned by analysts yesterday included Marshall and Pioneer-Standard.

The UK group's shares were suspended before the market opened yesterday. An announcement is expected within the next few days.

Farnell's move would be the latest in a series of purchases which have helped increase its market capitalisation from £200m five years ago to £927m at yesterday's suspension price of 679p.

It has made no secret of its intention of expanding in the US. Mr Howard Poulson, chief executive, underlining the group's ambitions at the time of the interim results in October, said the company intended to supplement the opening of its new distribution centre in South Carolina by buying other distributors.

Premier, which is based in Cleveland, Ohio, and runs an extensive catalogue business, has a market capitalisation of more than $2bn. Last year, it had after-tax profits of $108.1m on sales of $818.2m.

Premier's size led to speculation among analysts that Farnell may buy only part of the company. Component distribution accounts for just under three-quarters of group sales.

There were also suggestions that members of the Mandel family, which owns 58 per cent of the company's shares, might be willing to sell their stakes.

Farnell's acquisitions over the past five years have included the electronic components businesses of STC and Multicomponents from ITT, at a combined cost of £107m. These boosted the distribution side of its business.

It sold its manufacturing business for £80m last year in a move which gave it a war chest for further expansion.

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EU promises new effort on employment

By Lionel Barber in Brussels

European Union finance ministers yesterday promised a renewed campaign to tackle high unemployment in Europe – but offered no fresh measures in response to concern about the economic slowdown.

After a meeting in Brussels, the majority view was that the slowdown was a pause in growth which would pick up on the back of the German-led reduction in interest rates.

Recent economic data has shown a decline in business confidence and a rise in unemployment, particularly in Germany. This has cast a shadow over the EU's plan to launch a single currency on schedule in 1999.

Mr Lamberto Dini, Italy's acting prime minister and finance minister, served notice that his country intended to focus more attention on unemployment during its six-month EU presidency.

Mr Jacques Santer, European Commission president, hinted that he was keen to revive the idea that trans-European networks – multi-billion dollar rail, road, telecommunications and energy infrastructure programmes – could create jobs. Pointing to a financing gap of Ecu760m ($989m) for TGV-East, the rapid train service to eastern Europe, and the Paris-Brussels-Cologne-Amsterdam-London fast rail links, he suggested that other funding instruments might be necessary to raise or provide long-term finance.

But Mr Kenneth Clarke, the UK chancellor, poured cold water on so-called "off-budget" financing or any measures to re-allocate money from the EU budget which might become available as a result of expected under-spending on the common agricultural policy.

Mr Jürgen Stark, deputy German finance minister, said there was "no alternative" to the policies of budgetary consolidation. Public debt and deficits had risen since 1991, Mr Stark noted, with the result that "We have now reached a level where further burdens on citizens are no longer possible. If we delay the adjustment measures necessary today the burden will have to be borne by a future generation."

Earlier this month, Germany disclosed that its public deficit in 1995 exceeded the Maastricht treaty's limit of 3 per cent.

Mr Clarke said that the answer lay in increased labour market flexibility. He said it was time for countries such as Belgium and France to reform their labour markets as Britain had done in the 1980s. At around 8 per cent, Britain's jobless rate was much lower than the EU average of close to 11 per cent.

Some ministers stressed the need to avoid the growing public perception that the Maastricht treaty's tough rules on budget consolidation were behind the increase in unemployment.

Mr Philippe Maystadt, the Belgian minister, echoing several colleagues, expressed concern that unemployment was being linked in the public mind to economic and monetary union. "It is a mistake to claim that Maastricht is causing unemployment," he said.

Ministers agreed a rough work programme for the first half of 1996 related to Emu. They are likely to discuss the relationship between countries participating in the single currency and those remaining outside at their informal meeting in Verona in mid-April.

A second issue is the German proposal for a "stability pact" to enforce budget discipline among Emu participants. Mr Clarke warned that further measures to tighten economic convergence in the core group could widen the economic gap with those outside it.

He also said it was vital the management of a Union split between "ins" and "outs" should maintain the single market, avoid big new budgetary transfers, and prevent the disruption of EU institutions if "ins" decided to co-ordinate more closely or vote as a bloc.

Unions play boss in German jobs debate

Judy Dempsey and **Wolfgang Münchau** report on talks aimed at finding work for 330,000 more people

It is rare for a trade union in Germany to hijack the initiative from the employers and government on a key issue of public debate.

But this is exactly what IG Metall, the steel and engineering union, will have achieved this evening when Chancellor Helmut Kohl, ministers and the umbrella organisations representing the employers and unions meet to discuss how to create jobs and make German industry more competitive.

Mr Hubertus Schmoldt, president of IG Chemie, the chemical workers' union, predicted that the meeting would sketch out a framework for a deal to create several hundred thousand jobs across German industry.

Some of those proposals were first set out last November by Mr Klaus Zwickel, president of IG Metall, when, in his "alliance for jobs", he said his union was prepared to offer wage restraint in return for a commitment by the employers to create 330,000 new jobs by 1998.

Mr Zwickel has calculated that the creation of those jobs would yield about DM14bn ($9.7bn) in new income tax revenue, while also lowering spending on unemployment.

In return, IG Metall has insisted the government drops plans to cut unemployment pay. However, much has changed since Mr Zwickel made the speech that catapulted the union into the limelight.

There is now every expectation that January's unemployment figures will reach 4m, or about 10 per cent of the workforce, having already jumped from 9.3 per cent in November to 9.9 per cent in December.

Earlier this month, the German Institute for Economic Research revised down its growth forecast for this year from 2 per cent to 1 per cent.

This bodes ill for private consumption which could be entering its fourth consecutive year of sluggish growth as people hold back on spending while job insecurity increases. Mr Zwickel had not anticipated such gloomy economic news when he made his "alliance for jobs" speech in Berlin.

This is why, perhaps unwittingly, the whole debate about creating jobs has given the government, and more so the employers, the opportunity to question the costs of the "social state", something IG Metall did not intend when it put forward its jobs strategy.

IG Metall believes wage restraint, job guarantees and more flexibility at the workplace provide the engine for economic growth.

The employers also believe in wage restraint; but also in lower taxation and labour costs and the scrapping or reduction of some sickness payments. Employers argue that such costs amount to 80 per cent over and above the basic salary.

The government is already drawing up plans to cut social security costs from 41.3 per cent of wages to 39 per cent. It is reckoned this move could save industry about DM15bn in costs annually.

But any moves affecting the future of the social state will require support from IG Metall as employers were yesterday reminded.

More than 70,000 IG Metall members staged protests across the Ruhr industrial heartland against plans to undermine the generous social insurance schemes built up over the years, a reminder also that the union has not lost the initiative.

German steelworkers in Duisburg taking part in an IG Metall strike in the Ruhr yesterday in protest at retirement rule changes Reuter

Germany's towns and cities expect a deficit of DM11.9bn ($8.2bn) this year, a slight improvement on last year's record DM13.4bn, writes Michael Lindemann in Bonn.

The organisation representing Germany's 16,000 towns and cities, Deutscher Städtetag, yesterday forecast a difficult year because of lower tax receipts, caused by a slowdown in economic growth, and further outlays forced by the federal government.

It demanded that the federal government stop heaping new expenditures on municipalities without proper consultation. The legal right to a kindergarten place, for instance, is expected to cost DM24bn in coming years, it claimed.

The organisation's chairman, Mr Gerhard Seiler, said towns and cities were increasingly having to foot the bill for unemployment benefit and the costs of housing asylum-seekers in Germany, both federal responsibilities. Forecasting a difficult year ahead, he said: "A large part of this misery is not our fault, but has been forced upon us."

French films to get state funds for dubbing

Andrew Jack reports on the industry's latest plan to secure itself a long-term future on the English-language market

The French film industry is launching an aggressive drive to break into the Anglo-Saxon market by helping to fund the costs of dubbing some of its most popular releases into English.

CNC, the French state-backed national cinematographic centre, has agreed to help fund an English sound-track for *Gazon Maudit*, a comedy that has proved extremely popular since it opened in France early last year.

The move represents a sharp break with past practice, by which French films have normally been released onto the UK and other English-speaking markets with sub-titles, a system which only attracts minority audiences. Unifrance, the French state-backed body responsible for marketing films in other countries, is attempting to develop mass-market interest in French films, combining the use of dubbing with stronger promotion efforts to attract large Anglo-Saxon audiences.

Gazon Maudit, translated in the US as *French Twist*, is the story of how a lesbian enters the relationship of a frustrated married couple. An unexpected success, it has been seen by 4m French film-goers and almost 1m in other countries.

Guild, the UK distribution company which has bought the rights to release the film in Britain, is sharing the FFr50,000 ($10,080) costs of dubbing with the producer, the CNC and other funders. Mr Bruno Berthémy, director of Unifrance, said: "There is an awareness that French films will be in difficulty in the long term if they have no real presence in the international market, especially in Europe".

French films were already dubbed into most other important European languages but those few examples attempted into English in the past had not proved convincing.

A second French film, *Un Indien dans la Ville*, is already being dubbed into English by Walt Disney. He said Unifrance was likely to make an assessment of how successful the policy was proving after it had helped fund five or six films.

One British film distributor said yesterday dubbing French films into English was a "highly sensitive" issue, largely because when it had been tried in the past "it was extremely badly done".

Two weeks ago, Unifrance hosted a festival in the Alpine village of Avoriaz of recently-relased French films targeted at international distributors.

Brussels opens campaign to sell the Euro

By Lionel Barber

The European Commission yesterday launched its long-awaited campaign to win over the public to the Euro, the planned single currency.

Kicking off a three-day conference in Brussels, Mr Jacques Santer, Commission president, called for an end to speculation over whether Emu would start on schedule in 1999.

"Let's not forget the idea of a single currency was never art for art's sake but the logical conclusion of greater European integration," he said. "Without a single currency, the benefits of the single market will never be fully realised."

The three-day conference, which will be attended by more than 400 businessmen, financiers, politicians and government officials, is intended partly as a brainstorming session and partly to maintain the momentum behind Emu amid worries about the current economic slowdown. Mr Santer's reference to art was apt since the Commission's publicity machine draws on an exhibition on the history of money going back to the earliest known coins in the 7th century BC featuring King Croesus.

The exhibition in the new European Parliament building contains quotes from Aristotle, Victor Hugo and other European luminaries and references to a "Celtic single currency area" which spread from ancient Greece.

In an effort to draw the sting from the Emu project, exhibition guides point out politely that currencies such as the Portuguese cruzado or the Spanish real circulated in late medieval times.

"The pound and the sou go back to Charlemagne," said one British-speaking guide.

The Brussels commissioner for monetary affairs, Mr Yves-Thibault de Silguy, said Europe must become enamoured of its future currency. "Europe will not impose the Euro on its citizens. We must convince them of the necessity and seek everyone's participation," he said.

One of the exhibition's highlights is a "virtual trading" room which allows simulated trading using CD-Roms. The programs explain the operation of the international capital markets to novices, and offer mock games to measure trading performance.

Mr Jean-Christophe Marquis, a manager at Monte Cristo Media, a Paris-based multimedia company responsible for the show, said that the next step would be to offer user-friendly explanations of life in the capital markets before and after the Euro's introduction.

The Commission hopes to pool ideas to draw up future plans for an advertising campaign to sell the Euro to the public.

Germany and Austria have already put aside funds for their own campaigns. Mr Kenneth Clarke, the UK chancellor, said it was first important to have an "informed debate" in Britain about the merits of the single currency.

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Mr Jacques de Larosière (right), head of the European Bank for Reconstruction and Development, addressing Russian prime minister Victor Chernomyrdin at talks in Moscow yesterday Reuter

Yeltsin's ambitions worry reform camp

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin yesterday stepped up his efforts to retain his grip on power, broadly hinting he will stand for re-election in the June presidential ballot.

But the Russian leader's apparent decision to fight for a second term comes at a time of growing disenchantment among some of his former reformist allies, who are reluctant to back Mr Yeltsin after his sharp hardline shift over the past few weeks.

"It looks as though I will give my agreement to stand in the presidential elections," Mr Yeltsin said yesterday. However, the Kremlin leader, who has already assembled a campaign team but has not yet formally entered the presidential race, said he would not announce his final decision until the middle of next month.

Mr Yeltsin, who has suffered two heart attacks over the past year and seemed shaky in recent public appearances, also insisted that he was prepared for a gruelling campaign season. "I understand if I give my agreement the fight will be tough," Mr Yeltsin said. "But we will hope for the best."

The statement came as little surprise to Russian observers, who had interpreted this month's intensified attack on separatists in the breakaway Chechen republic and a hardline cabinet shuffle as signs Mr Yeltsin intended to seek re-election.

Communist and nationalist leaders have praised Mr Yeltsin for appearing to adopt their agenda, but the president's political shift now seems likely to have scotched hopes he could emerge as the sole candidate of a united reform camp.

Mr Yegor Gaidar, a former prime minister and once one of Mr Yeltsin's closest political allies, yesterday urged Mr Yeltsin not to run, and suggested the policies of the past few weeks made it impossible to continue to view the president as a reformer.

"I think nominating him today would be the best gift you could make the communists," Mr Gaidar said. "I am convinced that gambling on Yeltsin after what has happened would be suicide."

Although Mr Gaidar's party did poorly in December parliamentary elections, he remains one of the country's most respected reform politicians. His attack on the president suggests that Russian reformers, who have traditionally failed to rally around a single leader, might refuse to back Mr Yeltsin in June.

That would be good news for the Communists, who are the likely beneficiaries if the anti-communist vote is divided between several reform candidates and Mr Yeltsin.

Despite his recent turn towards hardline allies and policies, Mr Yeltsin continues to portray himself as Russia's pre-eminent reformer.

In his most recent restatement of that commitment, Mr Yeltsin yesterday assured western investors: "Russia will not turn away from the policy of democratic reforms, the market and reform policies. As president, I guarantee you that."

Swedish anger at tighter rules on refugees

By Hugh Carnegy in Stockholm

Sweden's Social Democratic government, which for years ran one of the world's most liberal policies towards refugees, is under furious fire for adopting a tougher stance on immigration policy.

New rules due to be approved by the government this week will lead to lower numbers of arrivals in future. Like many of its EU partners, Sweden is adopting a more restrictive attitude to foreigners seeking refuge, in part because of domestic economic constraints.

The move takes place amid criticism by the media, church leaders, opposition politicians, social workers and ordinary people over the case of the Sincari family – two Kurdish women and nine of their children deported to Turkey recently.

"How did we become a land where humanity disappeared?" cried a headline in the Social Democratic newspaper, Aftonbladet, last week after police escorted the women and children from the northern Swedish town of Asele, where they had lived since 1991, back to Ankara, from where they continued to Diyarbakir in south-eastern Turkey. They could not return to their village near the Iraqi border because it had been destroyed in the fighting between Turkish forces and the Kurdish guerrilla group, the PKK.

They were deported – after a long appeals process – because the husbands of the two women, who are brothers, had lied about their identity when they arrived in Sweden in 1990, saying they were from Iraq. One of the Sincari men is now outside Sweden and the other is in hiding, along with his eldest son.

Critics of the government do not deny that the Sincaris gave false information to win residence in Sweden. But they see little difference between the condition of Kurds in Iraq and Turkey and object to what they see as the unfeeling treatment of the children, all of whom are fluent Swedish speakers and well integrated in local schools.

Mr Ingvar Carlsson, the prime minister, and his immigration minister, Mr Leif Blomberg, have admitted they had to choose between two bad options but insist the right decision was made.

Sweden's past record on refugees is certainly in line with its liberal image. Most non-Nordic immigrants to Sweden came as refugees, some 250,000 in the 30 years up to the early 1990s.

Since then, there has been a further flood, chiefly from former Yugoslavia. Sweden, with a population of less than 9m, has taken in 90,000 people from Bosnia and other former Yugoslav states, more than any other European country after Germany, Switzerland and Austria. Almost all have been given permanent residence.

But the strains have begun to tell, especially as the latest wave coincided with deep recession. Net transfers to immigrants have risen to between SKr15bn ($227m) and SKr20bn a year, according to one recent estimate, at a time when the government is straining to cut SKr115bn out of a yawning budget deficit and unemployment totals more than 12 per cent of the workforce.

Extremist anti-immigrant organisations have also become more prominent in recent years. Such groups are not as big as their counterparts in Germany or France, but violence against immigrants has become much more common than in the past. Last week, an Iraqi man and a teacher of immigrants were injured by anonymous parcel bombs.

The peak for immigration was in 1994, when 68,000 non-Nordic newcomers were registered. Since then the numbers have tumbled. Mr Blomberg said: "When we have limited resources to offer people a good life in the country, it is important that we prioritise those who have a strong need of protection and then we must reduce the number of immigrant relatives."

Persson welfare plan hits markets

By Christopher Brown-Humes in Stockholm

Fears that Mr Göran Persson, Sweden's prime minister in waiting, may abandon fiscal austerity to court the left wing of his Social Democratic party jolted financial markets yesterday after he unexpectedly proposed raising social security benefits.

The markets were also unsettled by a report from Moody's, the US rating agency, which warned that further savings might be needed to curb Sweden's "still large" budget deficit.

In a weekend newspaper article, Mr Persson, currently finance minister, said he aimed to raise unemployment and sickness compensation to 80 per cent of former earnings from the current 75 per cent level, from 1998, reversing last year's cut.

He also said his goal was to halve Sweden's unemployment rate by the year 2000, partly by creating 100,000 new education places.

Mr Persson insisted yesterday that the proposals would be financed without weakening the budget, but his remarks failed to pacify financial markets. In a sudden evaporation of recent positive bond market sentiment, Swedish 10-year bond yields surged nearly 30 basis points, their sharpest one-day rise for many months.

The krona fell heavily against the D-Mark and the stock market dropped 1 per cent.

As finance minister, Mr Persson has won market confidence with a tough programme of spending cuts and tax rises to eliminate Sweden's budget deficit by 1998 and stabilise the country's heavy debt load.

But the pain his measures have caused has led to a sharp fall in the popularity of the Social Democrats and brought demands from the party faithful for a looser fiscal policy.

Mr Olle Djerf, an economist with Nordbanken, described Mr Persson's latest proposals as "a step backwards. This was a political manoeuvre to please party traditionalists. It will not be helpful to the Swedish economy," Mr Djerf said.

صكذا من الاصل

NEWS: EUROPE

Haider aide's post sparks controversy

By Eric Frey in Vienna

The writings of a senior aide to Mr Jörg Haider, leader of Austria's far-right Freedom party, have stirred controversy in the country and embarrassed the conservative People's party, which is trying to form a new coalition government.

Mr Wilhelm Brauneder, a law professor as well as an MP, and a former dean of Vienna's law school, was elected last week as junior member of the three-strong presidium which chairs the Austrian parliament. While his controversial views on the Nazi period hava long been known in academic circles, press reports following his appointment have revealed his extremist positions to a much wider public.

The weekly magazine Profil yesterday published a 12-year-old letter to the editor by Mr Brauneder, in which he called the unsuccessful plot to assassinate Adolf Hitler in 1944 "attempted murder". During his term as dean, he allowed neo-Nazi groups to use university facilities, and has written for far-right magazines.

Mr Brauneder was elected to his new post in the teeth of opposition from other parties in parliament when the People's party chairman, Mr Wolfgang Schüssel, reversed his previous stance and swung his support behind the Freedom party MP. The two parties together command a slim majority in parliament.

Jörg Haider: success after string of setbacks

Mr Schüssel made his decision after Mr Haider threatened to withhold support for the conservative candidate for the governor of Styria, where no party won a majority in recent provincial elections.

Mr Brauneder's appointment was seen as the first success for Mr Haider after a string of setbacks. The charismatic populist lost ground when his party took third place, with 22 per cent of the vote, in last month's general election. He had also become politically isolated when a video of him praising veterans of the Waffen-SS, Adolf Hitler's elite guard, was shown on national television. State authorities are investigating whether Mr Haider has broken the law.

The rise of Mr Brauneder has sown discord between the People's party and the Social Democrats at a time when they are trying to reassemble the coalition that fell apart last year. There is some suspicion that Mr Schüssel has been using ths possibility of a coalition with Mr Haider as leverage in the coalition negotiations with Chancellor Franz Vranitzky, the Social Democrats' leader.

Those talks have so far produced agreement on the need to reduce the budget deficit for this year and next by Sch100bn (£6.4bn), but none on how to achieve it.

Mr Schüssel wants the Social Democrats to commit themselves to drastic cuts in social spending and is aiming for a loose coalition arrangement that would give his party the option to vote with Mr Haider on certain issues.

UK sleuth on track of illegal aid

A businessman's three-year campaign reveals how difficult it is for companies to ensure rivals play by rules, write **Stefan Wagstyl and David White**

A British businessman has succeeded in a three-year campaign to persuade the European Commission to investigate claims that a Spanish competitor has received illegal state aid.

His battle highlights how difficult it is for companies to establish that their international rivals are observing European competition rules – particularly in industries such as steel, with long traditions of government involvement.

Mr Bill Good, 43-year-old managing director of Sterling Tubes, a Black Country company making seamless stainless tubes, assembled hundreds of pages of documents detailing allegations that the Spanish authorities gave financial support to Tubacex, a rival manufacturer, when it was on the verge of bankruptcy in 1992-93 with debts of nearly Pta20bn ($160m).

His suspicions were aroused in 1992 when he discovered that Tubacex, in Llodio, in the politically-sensitive Basque country, was trading and paying the wages of nearly 1,000 workers even though it had filed for court protection from creditors. "I wondered where the money was coming from. Alarm bells started ringing," he says.

Mr Alvaro Videgain, Tubacex chairman, insists the company, which is now trading profitably, survived its financial crisis through its own efforts and the commercially-based support of its creditors. The company and the Spanish industry ministry say there has been no illegal support.

But in its preliminary findings released late last year, the Commission said it was "likely" that Mr Good's main claim was true – that the Spanish authorities bought land from Tubacex at an inflated price. If a formal investigation, which is expected to conclude this year, confirms the preliminary findings, Tubacex could be required to repay the money.

While he waits for the verdict, Mr Good continues to collate newspaper cuttings and financial and legal documents. Since ha does not speak Spanish, he has retained a Madrid lawyer and has everything translated into English. Mr Good's superiors at Sandvik, the Swedish engineering group which owns Sterling, support his campaign.

Tubacex, founded in the 1960s, ran into losses in the early 1990s when a global economic slowdown hit demand for stainless steel tubes. Ill-starred efforts in the 1980s to diversify into art and property compounded problems.

In June 1992, after Tubacex's gas supplies were cut off because of unpaid bills, the company secured court protection from creditors who were owed just under Pta20bn.

The tensions generated by the threat to so many jobs in a town of only 25,000 people where Basque nationalists dominate local government and trade unions developed dangerous overtones. In violent confrontations, demonstrators blocked road and rail traffic, and fired rockets loaded with ball-bearings and screws.

After 16 months of discussions, a recovery plan was agreed under which the company issued Pta2.25bn of new shares whils creditors exchanged part of their debt for Pta11bn in convertible bonds. In October 1993 Tubacex came out of receivership.

The company focused on its high value-added core activity, seamless stainless steel tubes, in which it has only 10 global rivals. It stopped the loss-making production of cheaper carbon-steel tubes. The workforce fell from 1,000 to 650. Tubacex began selling non-core interests, including the art collection.

Helped by economic recovery the company cut losses from a peak of Pta8.8bn in 1992 and expects to announce a Pta1.5bn net profit for 1995, its first in six years.

The Commission's preliminary report raises questions about the land sale and the activities of two public sector creditors – the social security fund and the wage guarantee fund.

Brussels found that shortly before ths October 1993 refinancing, Tubacex sold the Basque government a 70,000 square metre piece of land in Amurrio, near Llodio, for Pta220m.

Land registration papers showed that before the sale the site was valued at just Pta70m. The Spanish authorities say the valuation was out of date and it was worth more than Pta220m.

The Commission concludes, however, that "there is a likelihood that the sale price may have contained elements of state aid". Moreover, as it points out, the land was mortgaged to the social security fund which released its charge on June 3, 1993, two days after tha land was sold. "Donbts remain", it says, about why the social security fund "belatedly" relinquished its mortgage when it remained a big creditor to Tubacex.

Brussels also wants clarification of the social security fund's role in the overall refinancing. As a government institution, it was a preferred creditor, so it would have had first rights to seize Tubacex's assets if the company had failed.

The Spanish authorities say the fund was right to take account of wider considerations – such as that redundant workers would become a burden on the state. The Commission says this "requires further examination".

It adds that it has similar doubts about the government's wage guarantee fund which lends money to troubled companies to pay wages. While accepting Spain's argumeot that the fund has a role in cases like Tubacex, it says there are indications that "the arrangements did not reflect normal market conditions", as they should under EU steel industry rules.

The Commission also plans to monitor a possible wider restructuring which Tubacex has discussed with two other Basque region steel tube companies: Tubos Reunidos, which is 50 per cent state-owned, and wholly state-owned Productos Tubulares.

EUROPEAN NEWS DIGEST

Spanish doubts voiced on Emu

Emerging cracks in the broad political and business consensus in Spain over European monetary union have been highlighted in a sharp attack by a prominent former Socialist finance and economy minister.

Mr Miguel Boyer, who won respect in business circles for enforcing orthodox economic policies in Mr Felipe González's first cabinet from 1982 to 1985, challenged the official line in an interview with the Barcelona newspaper El Periódico de Catalunya, warning of what he called "a political trap with a high economic price".

The main Spanish political parties, along with most of their EU counterparts, were gripped by "an obsession about sitting down on equal terms with Germany", he said. "Even if monetary union is accepted as a goal, the course laid down in Maastricht and subsequent summits appears hardly sensible."

His outspoken comment followed recent doubts expressed by the governing Socialist party's number two, Mr Alfonso Guerra, leader of the party's left wing and former deputy premier.

David White, Madrid

Romania sells company stakes

Romania has begun the cash sales portion of its mass privatisation programme and will today auction off minority stakes in 51 companies to foreign and local investors.

The programme aimed to sell 3,900 state companies for a combination of cash and privatisation coupons within a year of its launch last August, but has been delayed by a poor public response. Less than 10 per cent of Romanians used free coupons to bid for companies in the autumn, forcing the government to extend the subscription period.

Romanian privatisation officials said stakes in only five of nine companies offered in the first cash auctions in December had found buyers, and the remaining four would go to a third round of bidding today. Government privatisation consultants Dewe Rogerson said 39 of 554 companies, in which majority stakes have been set aside for strategic investors, had been sold by the end of last year.

Virginia Marsh, Budapest

French social security deficit

France's social security deficit this year will be "a bit above" the government target of FFr17bn ($3.42bn), officials confirmed yesterday, thanks to slower economic growth which is likely to depress revenue from payroll charges, and to a government concession to doctors.

In a gesture to the country's doctors, who did not join last month's protest strikes against government welfare reforms, Mr Alain Juppé, the prime minister, has agreed to put FFr1bn worth of increased social security charges on doctors into a special "conversion" fund for the French medical industry, rather than into the general welfare fund.

The government blames some of the country's excessive medical spending on too many prescribing doctors, and plans to use the conversion fund to redirect "surplus" doctors into teaching and specialist jobs. But officials dismissed as speculation reports that the welfare deficit might be as high as FFr30bn. The original plan was to reduce the deficit from FFr60bn last year to FFr17bn this year.

David Buchan, Paris

MEPs gain employment voice

The European Parliament is to be given a right to consultation on future employment and industrial relations proposals put forward by Europe's unions and employers. Mr Padraig Flynn, the social affairs commissioner, believes the creation in 1991 of an exclusive dialogue between Europe's trade unions and employers – the "social partners" – to draw up social policy was "a mistake" because it excluded the parliament from the process.

Under current procedure, Unice and Ceep, which represent European employers and European trade unions respectively, can draw up agreements on employment and industrial relations issues, which can be accepted or rejected – but not amended – by the council of ministers.

Mr Flynn is to propose to this year's intergovernmental conference on the future of the EU that it amend the social protocol of the Maastricht treaty to give the parliament the right to express an opinion on any draft agreement, though not to veto it.

Robert Taylor, London

Armani goes on trial today

The trial of some of Italy's leading fashion designers, including Mr Giorgio Armani, is to open in Milan today but is expected to be immediately postponed because the leading judge has been transferred to another court. The trial was initially scheduled to begin last September and has already been postponed twice.

The 19 defendants face charges of bribing tax officials in return for favourable tax audits. Besides Mr Armani, they include Mr Santo Versace, brother of designer Gianni, tax officials and the designers Mr Girolamo Etro, Mr Gianfranco Ferre and Mrs Mariuccia Mandelli, better known as Krizia.

When the trial eventually gets under way defence lawyers are expected to argue that the payments to the Guardia di Finanza, or tax police, were made under duress. Charges of bribing the Guardia di Finanza have also been laid against Mr Silvio Berlusconi, the former prime minister, whose trial opened in Milan last week.

John Simkins, Milan

NEWS: INTERNATIONAL

Beirut bourse reopens after 13-year break

By Roula Khalaf

The Beirut stock exchange, once the Middle East's busiest, resumed trading yesterday after a 13-year break.

Closed in 1983 at the height of the Lebanese civil war, the exchange is seen as Lebanon's ticket to reclaiming its former status as a regional financial centre. The opening of the bourse suffered so many delays in the last year that officials held an opening ceremony in September before trading was ready to resume.

If the listing of only three companies so far – compared with 42 in 1983 – sounds like a disappointment for local and international investors, stock exchange officials maintained yesterday that many more listings were on the way.

"We cannot take just any company that wants to be listed, we are putting in rules and regulations to meet international standards," said Mr Amine Moukheiber, the bourse's secretary general.

The market's $300m (£194m) capitalisation will be significantly boosted in the coming months if as expected Solidere, the private consortium which has started recreating a financial and commercial centre for the devastated capital, and which is capitalised at about $2bn, joins the exchange. Solidere currently trades on a secondary market monitored by the central bank and created specifically for the company in 1994.

To catch up to the rest of the region, which developed its own stock exchanges while Lebanon fought its war, Lebanese officials took their time to produce an almost state-of-the-art bourse, fully computerised, and set out strict rules. Companies seeking a listing must have at least $3m in capital and 25 per cent of public shares owned by at least 50 different shareholders.

Mr Moukheiber says at least 10 additional companies have applied for a listing. Longer term, Lebanese officials hope the Beirut exchange will be a vehicle for Syrian companies looking to raise capital.

"With the peace process and the profile of Beirut as a financial centre, our free market economy and bank secrecy laws, I don't think in the medium term anyone will be able to compete with us," says a confident Mr Moukheiber.

To lure foreign investors, Lebanon's stock exchange is fully open to foreigners and stocks are quoted in dollars. There is no capital gains tax, no restrictions on capital movements and only 5 per cent withholding tax on dividends. Only Morocco and Egypt offer international investors full access to their bourses while investing on the Tunisian, Jordanian, Omani and Bahraini exchanges is subject to certain restrictions.

The three companies listed on the Beirut exchange include two cement producers, which have seen consumption triple since the end of the war in 1991, and a building materials company. According to Miss Suha Najjar, a London-based analyst at Robert Fleming Securities, at least one more company, the Casino du Liban, should list shortly.

Arafat critics win 40% of seats

By Julian Ozanne in Jerusalem

Final results for the Palestinian elections yesterday showed independents and critics of Palestinian leader Yassir Arafat would secure 40 per cent of the seats in the first Palestinian parliament.

The results are an upset for Mr Arafat and his official Fatah list of candidates, which was expected to fare better in the face of the boycott of the poll by the Hamas Islamic group, Mr Arafat's main opponent.

Official results for 14 of 16 electoral districts showed that independents and critics had won 30 seats to Fatah's 43 seats for the 88-member legislative council. Preliminary results for the two remaining districts, Arab East Jerusalem and Nablus, suggested at least a further five independents had been elected, bringing the total to at least 35.

Many of the independents are Fatah activists and critics of Mr Arafat who won internal Fatah primaries for the elections but were subsequently blacklisted by the veteran Palestinian leader.

Mr Arafat is expected to seek to co-opt the Fatah dissidents, but many are expected to join other independents in forming a critical bloc in the new council. Many independents have said they will seek to press Mr Arafat to be more accountable and democratic.

The results showed a huge protest vote against Mr Arafat's leadership style in the more liberal parts of the West Bank such as Ramallah, East Jerusalem and Bethlehem, where the entire official Fatah list was defeated.

Mr Arafat's official Fatah list did much better in the more traditional West Bank districts such as Hebron and Jenin and in the Gaza Strip. In Gaza City, independent and Islamist candidates won seven of the 12 seats. Mr Marwan Kanafani, Mr Arafat's spokesman, declared defeated on Sunday, was yesterday announced elected.

Peres interview, Features page

Mufti's murder hits Tajik peace bid

By Chrystia Freeland in Moscow

Efforts to negotiate an end to Tajikistan's three-year civil war have been set back by the assassination of the central Asian republic's chief Moslem cleric.

Mufti Fatkhulla Shapirov, who has backed Tajikistan's pro-Moscow government in its battle with the democratic and Islamist opposition, was killed by unidentified attackers who broke into his apartment. The mufti's wife, son, daughter-in-law and a teenage acolyte also died in the raid.

The murders have been widely condemned. A spokesman for the Tajik president described the attack as "unprecedented and cynical"; observers speculated the killings may have been an attempt to derail the search for a negotiated settlement to Tajikistan's internal conflict.

Peace talks between the neo-communist government, supported by Russia, and an alliance of Islamist and democratic opponents were scheduled to resume last week, but could be further delayed by the weekend attack.

The talks, begun under the aegis of the United Nations in 1994, have been hampered by the volatile combination of ancient clan rivalries and a newer layer of loyalties inherited from the Soviet regime which make up the complicated politics of Tajikistan.

Over the past two years, Moscow has strongly backed the regime of Mr Imomali Rakhmonov, the Tajik president, who ousted a coalition government of democrats and Islamic fundamentalists two years ago with the help of the Russian military.

The opposition retreated to bases in neighbouring Afghanistan, but has continued to cross the border for a guerrilla war against the Tajik government and the 25,000 mainly Russian troops sent to support it. Russia appears to be tiring of the conflict and is pressing the Tajik authorities to reach a deal with their opponents.

Kenya awaits IMF verdict on $220m credit

The delegation could well return to Washington without disbursing the loan. Michela Wrong reports

Increasingly alienated from its foreign donors, Kenya is anxiously awaiting the outcome of the visit to Nairobi by a joint IMF/World Bank team which has spent the past few days assessing its record on economic reform.

After a year of virtual deadlock between the government and the global lending institutions, the visit has given the authorities a chance to persuade the IMF to release a blocked $220m (£142m) credit – thereby proving to the public they have the international community's backing – before polls due by 1997.

The three-year enhanced structural adjustment facility (ESAF) has been on the table since late 1994 – an exceptionally long hiatus. But insiders say the delegation could well return to Washington without disbursing it, a decision which would mark the most serious strain in relations since President Daniel Arap Moi announced that he was breaking off links with the Fund in 1993.

"If they don't conclude an agreement this time, I think we can expect the IMF to go away and put Kenya on ice for a while," said a local economist who puts the country's chances of clinching a deal at less than 50 per cent. "There's a certain fatigue on all sides."

By some criteria, Kenya's economy is doing well. The Asian-dominated business community appears convinced that liberalisation is irreversible, growth is expected to touch 5 per cent in 1995 and inflation last year was below 7 per cent.

However, donor misgivings include doubts about the government's commitment to privatisation and civil service reform to alarm at the sudden, unbudgeted outlays that regularly make a mockery of promises of financial transparency.

In 1994 it was the decision to build an airport to Eldoret, Mr Moi's home town, a costly white elephant. Last year it was the acquisition of a $50m presidential jet without competitive tender at a time when the road network stood in disrepair.

That purchase prompted World Bank experts to postpone plans to ask their board to finance reconstruction of the key Nairobi-Mombasa road. The government, it was felt, had made its priorities all too clear.

Increasingly, "political" factors are impinging on decisions once made on economic criteria alone. Donors recognise that a free market economy cannot be introduced in Kenya without challenging the privileges of an entrenched ruling party apparatus.

IMF officials feel that little has been done to improve internal government policing. Donors responded sceptically to the government announcement on Friday that four top officials had been suspended in what was described as a crackdown on corruption.

Those suspended include the head of the Kenya Revenue Authority, the managing director of the Kenya Ports Authority, the commissioner of Customs and Excise and his assistant, but donors have yet to be convinced that it will turn out to be more than a carefully timed gesture.

In addition, repression of the opposition has worsened, with the government drafting a bill that would, if passed in its present form, give it sweeping powers to decide which parties are allowed to stand in the elections. Six months after filing for registration, the new opposition party Safina is still waiting for a ruling, unable to form branches or recruit members.

Officials on both sides in Nairobi know that far more is at stake than the $220m IMF facility itself, or the $90m in World Bank structural adjustment credits it would trigger.

Although Mr Moi continues to fulminate against foreign diplomats and journalists, the government is anxious for international blessing before the election machine whirrs into action.

Officials are also aware that if the economy has so far stood up well to the year-long aid stalemate, reduced inflows in the long run mean a bigger budget deficit, higher government borrowing and a surge in inflation.

To make things worse, donors such as Britain, increasingly alarmed by the repressive climate in Kenya and frustrated by the lack of dialogue with the authorities, are making bilateral aid conditional on ESAF approval.

Only a fraction of the $800m pledged by donors at their Paris session in December 1994 has been disbursed and a new session scheduled for last November was postponed because of the hostile climate.

Although Kenyan officials tout a new pledging meeting in March as a possibility, the likelihood of this would be close to nil if the IMF left Nairobi without an agreement.

If there is no ESAF there will be no Paris consultative group meeting," says a World Bank official. If the ESAF is not released there is also bound to be some tough talking when Kenya's country assessment session comes up later this month before the board of the World Bank.

The bank is already sitting on several projects and has disbursed only $65m of the $300m in new commitments it promised in Paris. Within the donor community, some feel that Kenya is being asked to meet higher standards than other countries in East Africa.

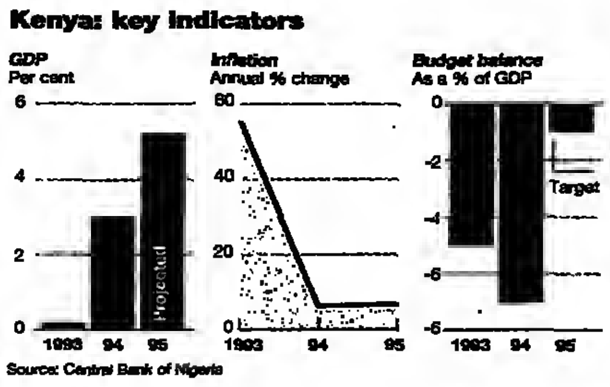
As a stable country in a region afflicted by terrible ethnic and tribal conflicts Kenya, they argue, deserves support. But this is counterbalanced by growing pressure, at a time of shrinking Western aid budgets, for public accountability and an end to corruption.

Mr Walter Mahler, the IMF representative in Nairobi, was cautious. "There's going to be a genuine effort on both sides to reach an agreement, but we expect to see some tough talking."

One diplomat was less encouraging: "If the IMF mission doesn't go back with an agreement, no-one in Washington will be crying."

'If there's no agreement, no one back in Washington will be crying'

Kenya: key indicators



Source: Central Bank of Nigeria

Draft proposals to compel local and foreign journalists working in Nairobi to apply for registration or risk jail have triggered criticism from Kenya's independent press, opposition MPs, western embassies and international media organisations, writes Michela Wrong in Nairobi.

The Press Council and Mass Media Commission bills would oblige journalists to register with a council which could reject, suspend or strike off anyone deemed not to have the right qualifications or to have violated a strict code of conduct.

The draft law also tightens state control over newspapers, television and radio broadcasters, which could be closed down on the order of a government-controlled commission, but the government media would be exempt. Eight international media organisations condemned the legislation, apparently aimed at muzzling the media prior to elections due by 1997. The Foreign Correspondents' Association says many members would reconsider using Nairobi as a base if the bills were passed.

NEWS: WORLD TRADE

UK presses Canada on submarine deal

By Bernard Simon in Toronto and Bernard Gray in London

Canada is being pressed by Britain to decide whether it wants to buy four British Upholder-class diesel-electric submarines for C$400m (US$294m), which are surplus to the Royal Navy's needs. If Canada does not want the submarines, Britain intends to open negotiations with Portugal.

Talks on the submarines, which cost Britain £1bn to build, have dragged on for 16 months, with the Canadian government unable to decide whether spending on such defence contracts would be politically acceptable.

Other Nato members are pressing Canada to buy the boats, which would allow Canada to maintain a significant naval presence in the alliance. The boats are being offered at what Britain considers to be a bargain price, with payments spread over 10 years.

The submarines would be used partly for coastal patrols, including surveillance of the disputed North Atlantic fishing grounds.

However, they would also enable Canada to continue providing valuable training for US and UK submarine crews.

Currently both Britain and the US operate entirely nuclear submarine forces and have to share training, particularly of potential submarine captains, with other navies.

Britain, which works with the Netherlands on its infamous "perisher" submarine command training course, would be able to co-operate with Canada in future if it bought the Upholders.

The four Upholders, which are almost new, were put up for sale after the Royal Navy opted for an all-nuclear submarine fleet in the early 1990s.

Diesel-electric submarines are much quieter than nuclear boats and the Upholders were originally designed to be part of a fleet of 12 boats which would be used for particularly stealthy intelligence missions lying undetected very near Soviet ports.

Canada has for some time been toying with a replacement for its three 30-year-old Oberon-class submarines and considered buying British Trafalgar class nuclear submarines in the late 1980s. However, negotiations to buy a fleet of nuclear-powered vessels foundered in the early 1990s as a result of strong public opposition.

The Globe and Mail newspaper reported yesterday that Mr David Collenette, the defence minister, has won the support of a majority of his cabinet colleagues for the UK submarines. He has argued that the purchase would not require any extra budget allocation. It would be financed partly by savings on refitting the existing Oberon-class vessels.

Quiet but deadly: A British Upholder submarine. They are renowned for their stealth Universal

WORLD TRADE NEWS DIGEST

ECGD expands contract cover

The UK Export Credits Guarantee Department is to expand its range of cover by offering British project exporters insurance against the loss of bonds given on contracts with private-sector customers overseas. The ECGD has long offered such insurance on contracts with government customers. It said it had been under pressure from UK exporters for the facility, reflecting the growing trend in many developing countries to privatise businesses such as power generation and transportation.

The new facility will insure exporters against the risk of losing the bond in cases where it is unfairly called by a private-sector buyer, or called to cover losses caused by political developments. The new cover will be available only on ECGD-supported contracts. Operation of the scheme is to be reviewed after two years.

Similar facilities have recently been launched by other European export credit agencies. *Guy de Jonquières, London*

CDs seized in Luxembourg

Customs officials have seized some $600,000 of suspected bootleg compact discs in their first sweep on Luxembourg, believed to be the centre of the European bootleg CD trade. The seized CDs were made in Taiwan and shipped to Luxembourg for distribution throughout Europe.

Piracy is one of the main problems facing the global music industry. The International Federation of the Phonographic Industry (IFPI), which represents the global music business, estimates some $812m of pirated music was sold in Europe in 1994, against legitimate sales of $11.6bn.

The IFPI has long been keen to crack down on the bootleggers. It is now able to do so because of introduction earlier this month of new World Trade Organisation intellectual property rules, giving greater power against music piracy. *Alice Rawsthorn, London*

■ Alenia Spazio of Italy has signed a L70bn ($44.1m) technology deal to help Hyundai Electronics Industries of South Korea step up participation in south-east Asian space programmes. The accord is expected to bring Alenia, a subsidiary of the state-controlled Finmeccanica engineering group, about L160bn of business over the next 10 years.

As a main part of the co-operation agreement, Alenia Spazio is to supply the Koreans with technology and equipment for satellites for the Globalstar satellite telecoms programme, expected to start operating in 1998. Globalstar is one of various consortia competing to develop hand-held satellite phone services, and has signed agreements with 73 countries for international service provision. *John Simkins, Milan*

■ SGS-Thomson, the micro-electronics group, has sold a licence to Samsung Electronics of Korea to make its D950 version of micro-cores, a key part of micro-chips, Mr Philippe Geyres of SGS-Thomson said yesterday. Involvement of a manufacturer such as Samsung would encourage customers to use the D950 family of cores and software companies to write more programmes for it. *David Buchan, Paris*

■ Fuji Hunt Electronic Technology of Japan plans to invest $300m in Taiwan to build a plant producing photo-resistant chemicals used to make integrated circuits. The project would be one of the biggest foreign investment projects in Taiwan and the chemicals will supply Taiwan's rapidly growing semiconductor industry. *Laura Tyson, Taipei*

■ Bridgestone of Japan will set up a joint venture with Associated Cement of India to make and sell tyres in India. The new company plans to invest about Y10bn ($95m) for a factory with an annual output of about 1.9m tyres. Demand for tyres is expected to grow rapidly in India. *Kyodo, Tokyo*

Thailand and US reach air pact

By Ted Bardacke in Bangkok

After nearly six years of stop-start negotiations, the US and Thailand have reached an air transportation agreement which is a victory for Thailand's national carrier, Thai Airways International, and for US providers of air cargo services.

The accord is the first covering air transport since Thailand cancelled a previous arrangement in 1990 when it accused US airlines of abusing fifth-freedom rights by picking up too many passengers on Asian stopovers en route to Bangkok. Under the new accord, the US conceded to some numerical limits on fifth-freedom rights, which allow an airline to carry passengers between destinations outside its home country.

Under the accord, US carriers flying from the US to Bangkok via high-volume destinations such as Tokyo, Seoul and Taipei will be able to pick-up unlimited passengers from those cities but only on 14 flights a week per city.

That quota is already filled for the Bangkok-Tokyo route by United and Northwest, the only two US airlines servicing Thailand since Delta pulled out last year. In return, Thai Airways receives rights to fly directly to eight US cities, up from the current sole destination of Los Angeles. Ten other US cities are offered to Thai Airways under code-sharing rights.

As Thai Airways currently loses money on its flights to Los Angeles, the code-sharing rights are a boost to the airline, according to aviation analysts. The agreement provides for the full development of the global airline alliance between United, Thai Airways and Lufthansa, which had been stalled by the lack of an agreement between Thailand and the US.

The agreement also provides for up to 24 cargo flights per week by US carriers to Thailand, up from the current three flights weekly. Federal Express of the US considers such an increase greatly beneficial for the development of its new Asian hub in Subic Bay in the Philippines, scheduled to begin operations in June.

"It is a real improvement to get an agreement," said Mr Bob Turner, general manager of Federal Express in Thailand. "There are tremendous opportunities here if we can get the package handling system straightened out."

Ove Arup in Hungarian road deal

By Andrew Taylor, Construction Correspondent

Ove Arup, the British consulting engineers, has been appointed to oversee the design and construction of a $490m privately financed Hungarian motorway.

The concession to finance, upgrade and extend the M5 motorway from Budapest, the Hungarian capital, to Kiskunfélegyháza towards the southern Hungarian border is the second privately financed motorway scheme approved by the government.

The Hungarian transport ministry is currently considering international bids for a third privately financed scheme to upgrade the M7 motorway linking Budapest with Lake Balaton and to extend it along the southern shore of the lake, which is in the south west of the country.

Hungary has led the way among former European communist economies in tapping international financial markets for private sector funds for motorway construction.

The concession for the M5 development was awarded in 1994 to a consortium led by Bouygues, the French conglomerate. Funding for the project, however, was completed only at the end of last year.

The total cost of the project including contingency funds is estimated at FFr2.47bn ($500m) of which FFr1.75bn is to be provided by international loans. The European Bank for Reconstruction and Development (EBRD), which helped organise the financing, has agreed to provide FFr450m to loans.

It is also providing partial guarantees for some of the international and domestic debt.

Ove Arup will be working with Utiber, a Hungarian consultant, to supervise design and construction of the 98km project, which will involve upgrading and tolling 27km of existing motorway, completing a second carriageway alongside 29km of existing road and constructing 40km of new dual two lane motorway.

A 35-year concession has been awarded to a consortium of Bouygues and Ban Holding of Austria. Intertoll of South Africa has been appointed to operate the toll road.

A section of the first privately financed motorway, a 42km stretch of the M1 linking Budapest to Vienna, opened at the beginning of this year after less than two years of construction.

Work on a separate 14.5km section to the Slovak border will start later this year. The total cost of the M1/M15 project is estimated at Ecu329m ($418m), of which EBRD is providing Ecu129.1m.

The 35-year M1/M15 concession was awarded to 1993 to a consortium led by Transroute International of France.

EU hormone ban likely to stay

Mr Franz Fischler, EU commissioner for agriculture, was last night expected to win endorsement from all EU farm ministers except the UK for the Union to maintain its ban on the import of hormone-treated meat and the use of growth promoters in livestock production, writes Caroline Southey in Brussels.

The EU is under pressure from the US to lift the ban on imports. Washington served notice 10 days ago that it will lodge a complaint to the World Trade Organisation against the ban.

Mr Fischler and ministers were expected to discuss the implications and possible EU responses to the US threat last night. Earlier he presented ministers with the conclusions of a recent scientific conference held in Brussels.

The conference, attended by 80 leading scientists, concluded that there was "no evidence of human health risk arising" from the controlled use of five hormones – oestradiol beta 17, progesterone, testosterone, zeranol and trenbolone. The five are banned in the EU but not in the US.

Without scientific evidence to back the ban, the EU faces a difficult task defending the regime before the WTO.

However, the Commission and farm ministers have been under intense pressure from consumer groups for the ban to stay.

Mr Fischler warned recently that lifting the ban could affect consumer confidence in the product and lead to a drop of 20 per cent in EU beef consumption.

Although most member states appeared to endorse Mr Fischler's view, Britain has argued that the EU should follow scientific advice and allow the controlled use of hormones.

Singapore election fever draws Internet fanatics

Singapore's election fever, if that is what it can be called in the tightly controlled island state, is spreading to the Internet.

Opposition parties have been discussing the possibility of setting up sites on the Internet as a means of promoting debate among Singapore's fast growing army of cyberspace fanatics.

Mr Yip Yew Weng, secretary-general of the National Solidarity party, said the Internet would "give opposition parties another alternative to expose ourselves to, and engage with the public". The Singapore Democratic party (SDP) said it was considering launching an Internet site which would publish its newsletter and other commentary pieces.

The move underlines the awkward contrast between Singapore's fascination with technology, which has played a central role in its economic development, and the government's reservations about permitting full freedom of political expression. Mr Yip said the Internet was a means of ensuring opposition press releases and comments were available to people unedited.

Elections in Singapore are not due till 1997 but are widely expected this year, possibly as early as March. If the Internet comes into its own alongside the ubiquitous mobile phone as a campaign tool, Singapore could propel itself into the vanguard of those adapting modern technology for elections.

Ironically, given the use of such a smart new medium, the

Given the use of such a smart new medium, the campaign itself looks likely to be strikingly devoid of substance, **Peter Montagnon** reports

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The People's Action party, in power since Singapore was given self-government in 1959, controls 77 out of the 81 parliamentary seats, and the outcome of the election is predictable. The opposition serves largely as a focus for frustration with the government's paternalism, particularly among younger, affluent professionals.

Opposition parties have only limited programmes of their own and the SDP was criticised by PAP MPs last week for failing to contribute to a parliamentary debate on Singapore's ambitious new transport policy.

Nonetbeless the PAP is clearly aware of the need to come to terms with the Net. There are still only about 85,000 users out of a total population of some 3m, but the penetration is growing rapidly and its openness gives it particular attraction as a forum for discussion of local issues.

A survey taken by the Straits Times newspaper of Singapore contributions on the Internet found some were simply protest statements and were occasionally abusive. But a good number were more thoughtful, indicating a genuine desire for more serious debate.

The government's response seems to have been to try to swim with the tide and keep change within what it regards as reasonable bounds. Many ministries already nse the Internet as a tool in their normal work and the government does oot want to stunt the use of information technology in Singapore's wired-up economy.

Thus, on the one hand it is looking at the need for changes in the law to cover use of the Net to get round its own clear boundaries on public discussion. On the other, it has entered the fray. The youth wing of the PAP has for some time been actively putting the party's case on the Net.

At the weekend, the Information Ministry said it may occasionally issue official statements on the Internet in response to points raised by others using the system.

But it added that a powerful way of combating worries about defamatory or obscene material appearing on the Net was to engender a strong sense of civic responsibility among users.

Bank of Tokyo manager 'took Y830m'

By Gerard Baker in Tokyo

Bank of Tokyo, one of Japan's largest and most prestigious commercial banks, said yesterday that an employee had defrauded it of more than Y830m ($7.9m) over five years.

The news is likely to cause further damage to the reputation of Japan's financial institutions, badly dented by a series of disclosures of fraud and financial incompetence over the past year. Mr Kaoru Hayama, the bank's vice-president, apologised publicly for the embarrassment caused by the loss, and for the bank's long delay in uncovering it.

The staff member alleged to have been responsible for the fraud, a manager at one of the bank's Tokyo branches, has been charged by police with embezzlement of funds over a period which began in 1990.

Mr Hayama said the bank should have discovered the facts earlier, but its internal management had not been strict enough. "He was a veteran employee, trusted by his branch manager. That was why it took so long to find out what had happened."

The man accused is alleged to have opened numerous accounts by forging customers' seals (signatures). He submitted false loan applications from the fictitious accounts and siphoned off the money himself, the bank said. He spent it on "gambling and other pleasures", according to bank officials.

His alleged actions were discovered following an internal investigation last May. The discovery was reported to the police immediately and the Finance Ministry was told soon afterwards.

The disclosure comes at a delicate moment for Japanese banks. The government is currently planning to spend more than Y685bn of public money to bail out the country's housing loan companies set up by the leading banks in the 1970s. The move is highly unpopular with the Japanese public, many of whom regard banks as at best incompetent in this respect.

In the past week, further disclosures about the activities of the mortgage lenders have heightened opposition to the bailout, which must be approved by the Japanese parliament.

Many banks were allegedly involved in lending large sums to organised crime at the height of the "bubble" economy, a time of soaring land prices in the late 1980s.

The bank's embarrassing admission will also raise renewed concerns about the reliability of Japanese banks' internal controls.

Though on a far smaller scale, the episode is reminiscent of the case of Daiwa Bank last autumn, when Japan's 12th largest bank revealed losses of more than $1bn at its New York branch, accumulated over 11 years.

Officials said it would have no effect on the bank's planned merger with Mitsubishi Bank in April, a tie-up that will create the biggest bank in the world.

Hashimoto places stress on economy

By William Dawkins in Tokyo

Reform and creation will be the main missions of Japan's new government, Mr Ryutaro Hashimoto, the prime minister, told parliament yesterday.

Mr Hashimoto, in his first policy speech since taking office just over two weeks ago, said his administration's most urgent tasks would be to deliver economic recovery within a year and win parliamentary approval of the unpopular plan to use public money to liquidate bankrupt housing loan companies.

By the end of the decade, Mr Hashimoto said, his four priorities would be to rebuild a resilient economy, create a better society for Japan's growing army of old people, develop a "pro-active" foreign policy for furthering peace and prosperity, and put into effect the administrative and tax reforms needed to make all this possible.

His address was dismissed by leaders of the opposition New Frontier party (NFP) as sbort on clarity and substance, indicating the 150-day parliamentary session which began yesterday will mark a combative period to Japanese politics.

National politicians have dubbed it tha Ichi-Ryu war, a play on the first names of Mr Hashimoto and Mr Ichiro Ozawa, leader of the NFP.

On foreign affaira, Mr Hasbimoto belied his former assertiveness. He called for a cantions approach in Japan's campaign for full membership of the United Nations Security Council, a gesture to his coalition partners, wbo have doubts about the wisdom of allowing Japan to tocrease participation in UN peacekeeping missions.

He also stressed Tokyo's relations with the US were the most important bilateral partnership, not just for Japan but the world at large. This confirms US officials' assumptions that Mr Hashimoto does not plan to let trade friction spoil strategic ties.

Ryutaro Hashimoto speaking in the Diet yesterday — Associated Press

ASIA-PACIFIC NEWS DIGEST

Japanese bank to lend to India

The Export-Import Bank of Japan yesterday signed an agreement to extend a $300m line of credit to the Industrial Development Bank of India, the country's biggest term lender to industry, for lending to big infrastructure projects. The loan, which IDBI said was the biggest contracted by the institution, is designed to support power, telecommunications, oil, steel and petrochemicals projects – for which India has far larger capital needs than it can easily generate internally.

Mr S M Khan, IDBI chairman, said the loan was at "very concessional" rates, untied and repayable to Japan's Eximbank over eight years. Lending on to Indian projects would be over terms not exceeding five years, he said. The Eximbank of Japan directly provides $210m, the remainder being co-financed by a group of French, US and Japanese banks.

Mr Khan said the Indian bank had already identified $100m worth of steel, power and telecoms projects eligible under the loan. The loan takes Eximbank of Japan's cumulative lending to the IDBI since 1987 to $950m. *Mark Nicholson, New Delhi*

Lahore airport to be expanded

Pakistan is planning a new airport terminal at a cost of at least $220m for Lahore, the country's second largest city. Officials said following a cabinet meeting yesterday that contractors for the project would need to arrange finaocing, mostly through loans to be guaranteed by the government. The decision was seen as a step forward in the country's efforts to open up its civil aviation to the private sector and to modernise its facilities.

Tha terminal facilities would help to ease pressure at Lahore, where annual passenger traffic is expected to reach 6m by 2010. *Farhan Bokhari, Islamabad*

■ Approved foreign investment in Malaysia shrank 19.4 per cent last year to M$9.14bn (US$3.6bn) because of policies aimed at shifting production out of labour-intensive industries, said Ms Rafidah Aziz, minister of international trade and industry. *AFP, Kuala Lumpur*

■ China had a trade deficit of $1.22bn in December, an official from the Ministry of Foreign Trade and Economic Co-operation said. For all of 1995 the country had a $16.69bn surplus. *AFP, Beijing*

■ Vietnam plans an industrial growth drive between now and the end of the century, as official reports said the government and company chiefs agreed last week on a five-year plan under which industry would expand at 15 per cent a year. *Reuter, Hanoi*

French develop Chinese lottery

By Andrew Jack in Paris

China is poised to launch a huge instant lottery at the end of this month, backed by money and expertise from the Franch state-controlled national gaming organisation.

More than 120m specially produced scratch cards have already been bought from a printing company set up near Beijing by organisers preparing for the release.

Under existing national legislation, games of chance – which are tightly regulated in China – cannot offer cash prizes, so winners will be offered a range of presents ranging from bags of cement, refrigerators and bicycles to cars and apartments.

The cards will be sold at special sales promotions lasting several days held around the country, and proceeds will be split between players, the government, and distribution to the disabled and victims of natural disasters. The aim is to have the system up and running before a big sales drive during the Chinese new year festival on February 19.

Lotteries have been officially permitted in China since 1987, organised through the Ministry of Social Affairs and the Ministry of Sports, but have only been available in the form of relatively crude cards with perforated tear-off windows.

The new more sophisticated lottery scratch cards have been developed in co-operation with Française des Jeux, the French organisation, which spent FFr20m ($4bn) buying a 27 per cent stake in the new joint venture, Beijing Zhongcai Printing Company, which will print the tickets.

The project was developed from a contract signed between the Chinese authorities and the French group in 1993 designed to launch the scratch cards, but which could also lead to future co-operation including the installation of permanent sales offices for continuous national lotteries.

The first game to go on sale, a militarised version of blackjack called "Fight to defend", features tanks, missiles and guns. A second version, "Constellation", will be offered to the public later this year.

The lottery has considerable potential for growth. Officials predict that this year alone they will sell about 600m of the scratch cards. The last available statistics for 1994 showed that the Chinese spent $257.3m on the old-style lotteries, or bought more than 1.5bn individual cards. That ranked it only 79th in tha world by expenditure.

Two more quit in Indian scandal

India's corruption scandal claimed two further victims yesterday when the parliamentary leader of the leftwing Janata Dal party and a state opposition leader resigned, Reuter reports from New Delhi.

The resignations of Mr Sharad Yadav, Janata Dal leader, and Mr Yasbwant Sinha, leader of the Hindu nationalist Bharatiya Janata party in the state of Bihar follow those of Mr Lal Krishna Advani, BJP president, and three cabinet ministers last week.

"It is my conviction that thosa occupying high public offices should quit if the people suspect their involvement in corruption and that all efforts should be made to remove these doubts," Mr Yadav said in a resignation letter to the speaker of the lower bouse.

Mr Yadav has yet to be charged in the *hawala* or black money scandal, but his name appears in the diaries that form the basis of the case and he has admitted he took money that be thought was an election contribution for his party.

The $18m bribes-for-favours scandal, in which 115 politicians and civil servants were named in diaries seized by police in 1992, has dominated Indian politics over tha past week and is likely to be a big issue in general elections expected in April.

The diaries belonged to three brothers who bave been charged with money-laundering and corruption.

Ms Sushma Swaraj, BJP spokeswoman, said party lawyers would ask the Supreme Court to look into allegations that Prime Minister P V Narasimha Rao, received more than Rs30m ($850,000) from one of the figures at the centre of the black money scandal. Mr Rao's spokesman has denied the Congress party leader received the money, and government officials say the allegation was a bid to throw investigators off the track.

The scandal is a blow to the BJP, which had planned to highlight government corruption during the election.

Mr Atal Behari Vajpayee, BJP parliamentary leader, said on Sunday the scandal was politically motivated and had been brought into the open by Mr Rao to eliminate political rivals. The Central Bureau of Investigation, which has brought the charges, functions directly under the prime minister, but three of his cabinet have also been implicated.

Debt and tax relief planned

Mexico may give aid to 100 companies

By Leslie Crawford in Mexico City

Senior Mexican finance ministry officials yesterday said up to 100 large and medium-sized corporations stood to benefit from a plan still being worked out to help companies struggling with heavy debt burdens and tax arrears.

The companies and their banks, badly hit by last year's deep recession and the escalating cost of credit, had appealed to the government for help in averting corporate failures and loan defaults, the officials said.

The government was studying the feasibility of receiving shareholders' equity in lieu of the payment of tax arrears. Companies would have the option of buying back the shares when their financial situation improved, finance officials said.

Another plan was being considered to help companies unable to service commercial bank debt. Mexican bankers estimate that up to 40 per cent of overdue loans in the banking system are owed by large corporations.

The development helped the Mexican stock market yesterday. Banks and highly indebted companies were the main beneficiaries, in a market also strong because of the anticipated success of a new $750m Mexican government global bond issue and falling Mexican interest rates.

Finance ministry officials said the plan to help large corporations would involve the purchase of sovereign Mexican debt, which trades at a discount in the secondary markets, and the issue of new, long-term government bonds, stripped of interest payments, which Mexican corporations would be allowed to buy at a deep discount.

Low-cost credit would be made available through Nafinsa, the national development bank, to allow corporations to acquire the government bonds.

The corporations would then be allowed to use the stripped notes to cancel their commercial bank debts. Nafinsa officials said this would not involve exchanging equity in the companies.

"We believe the corporate debt-relief plan can be implemented at a very low cost to the government," a senior finance ministry official said.

Only 80 to 100 companies are under consideration by a special finance ministry committee to co-ordinate the relief efforts with the corporations and their creditor banks.

Nafinsa and commercial banks are working on a separate plan to help smaller, heavily indebted companies, in which the national development bank and other creditors will take minority equity stakes in financially distressed companies in exchange for cancelling corporate debts.

● Mexico posted a $7.4bn trade surplus in 1995 as a result of the devaluation of the peso which boosted exports, and a deep recession which depressed imports. It was Mexico's first trade surplus since 1989.

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Keen bidding for oil deals in Venezuela

Venezuela yesterday reopened its doors to large-scale foreign participation in oil exploration and production, after more than 20 years of state dominance of the sector, reports Raymond Colitt in Caracas.

Some 75 mostly international companies, including British Petroleum, Exxon and Shell, are bidding on 10 exploration areas, totalling 4.5m acres, under profit-sharing participation contracts.

The first of five days of bidding began with strong offers for the exploration area La Ceiba, on the eastern shore of Lake Maracaibo in north-west Venezuela. The winning consortium of Mobil, Veba Oel and Nippon Oil broke a tie with 11 other consortia by offering a $103m cash bonus on top of the profit share for the state.

Investors will bear all exploration risk and expenses during a three-to-five year exploration phase, after which they will enter a consortium with the state oil company. The purchase price of the state's participation in consortia, which can reach up to 35 per cent, will reflect investors' exploration costs.

Mr Jean-Paul Barbot of the French oil company Total said bidding was unusually strong yesterday because "they started with the best block." However, a high level of interest could continue throughout the bidding process, he added.

The Venezuelan government is hoping to attract about $11bn of foreign investment in the exploration areas over the next 10 years. With such investment, the government expects to boost its proven oil reserves by some 40bn barrels and increase daily production by at least 500,000 barrels a day to more than 4m.

Venezuela's increase in oil production raises questions about its adherence to production quotas set by the Organisation of Petroleum Exporting Countries. However, Mr Arriata said: "Production increases are scheduled for 2005, when world petrol demand will have grown substantially."

The opening of the oil sector has enormous importance for the national economy, not only because of the high levels of expected investment, but because it would set a precedent in the recovery of foreign investors' confidence, one analyst in Caracas said. Oil sales accounted for about half last year's public revenues.

Leading figures in Colombia call for reforms

By Sarita Kendall in Bogotá

A group of 12 Colombian economic and political leaders has issued a document calling for high-level resignations, reforms and firmer economic direction to address the crisis and confusion surrounding President Ernesto Samper's government.

The Agenda 1996 document is signed by Mr Rudolf Hommes, finance minister in the last government, as well as Mr Rafael Pardo and Mr Andrés González, a former defence and justice minister respectively.

In December, a congressional committee cleared Mr Samper of any wrongdoing, amid allegations that his presidential election campaign in 1994 had been partly financed by drug traffickers. However, politicians and senior officials in Colombia are still being investigated for corruption related to the drug trade.

The document attacks Congress for trying to push through legislation to protect illicit earnings and undermine efforts to keep traffickers behind bars. The Agenda expresses strong support for Mr Alfonso Valdivieso, prosecutor-general, is soon to present preliminary findings on alleged contributions by Cali cartel traffickers to the presidential campaign.

The document constitutes a rallying cry against progressive deterioration of Colombian institutions and government, and against legislative corruption. Nearly all the signatories belong to the governing Liberal party.

The politicisation of public entities, the misuse of political favours, and inadequate tax measures have fostered economic inefficiency, according to the Agenda. The government should concentrate on controlling public spending and on supporting education, health, infrastructure projects and security, it maintains.

The president's opening shot, on camera

Jurek Martin looks for vision from Bill Clinton in the US State of the Union address tonight

Mr Mike McCurry, the White House press secretary, was at his deadpan best in discussing President Bill Clinton's State of the Union address, due tonight. "We fully expect it to be concluded by the time Nightline is on," he said, referring to the TV programme which is to go out two-and-a-half hours after the president has been ushered before Congress.

In fact, Mr Clinton might be excused for over-running, as is his wont, because he could have a lot to say. Although he will not formally declare his candidacy for re-election for weeks, his speech will be widely seen as his opening shot in his quest for a second term.

It will also be delivered as he and the Republicans controlling Congress are at daggers drawn over how best to balance the federal budget over the next seven years. This is a conflict not merely about the specifics of taxes and spending but far more about the nature and reach of the federal government in contemporary society. These will underpin the electoral campaign.

Mr Clinton's first state of the union address, in 1993, was mostly inspirational, his second long on specifics – above all, the need for national healthcare reform, which, in the event, failed to pass.

His third, lasting no less than 80 minutes a year ago, came in the wake of the Republican mid-term electoral landslide by which the party had taken control of both chambers of Congress for the first time in 40 years.

The US Supreme Court yesterday rejected California's challenge to the "motor-voter" law, which lets citizens register to vote while getting a driver's licence or social assistance payment, Jurek Martin reports from Washington.

The justices affirmed, without comment, two lower court rulings that states' rights had not been infringed, even though the law, which took effect a year ago, requires them to bear most of the costs – in California's case an estimated $18m a year. Six other states have suits pending.

California claimed the law violated the 10th amendment to the Constitution, on states' sovereignty. But the lower courts had ruled it was within the power of Congress to require states to carry out voter registration duties without financial compensation by the federal government.

About 5m new voters were registered under the law over the first eight months of last year, a significant increase in the electoral rolls. This prospect had concerned Republicans, in particular, in that most of the new potential voters were likely to be among the poorer elements of society and thus more apt to vote for the Democratic Party.

Mr R W Apple of the New York Times opined that the speech was "notably short on calls for action and long on appeals for comity – a demonstration of just how much he has been weakened in the last 12 months".

Mr Clinton is stronger now – a remarkable achievement. He has recovered by employing the old sporting adage – "the best offence is a good defence" – and by adroitly allowing the Republicans to over-reach themselves in their more radical demands to cut government down to size.

Although public discontent with both the president and Congress is manifest, greater blame still attaches to the legislature than to Mr Clinton for having forced two government shutdowns. He has also been successful in playing on fears that the Republicans would virtually dismantle such key aspects of the social safety net as Medicare and Medicaid.

But a clever defence needs to be supplemented, especially in an election year, by some vision for the future. This must be at the top of Mr Clinton's agenda tonight. He only has to to look for guidance at the race for the Republican presidential nomination, where Mr Steve Forbes's sudden, if ephemeral, rise from obscurity seems mostly based on the fact that he talks a language of "hope", in contrast to his more dogmatic opponents.

Mr Clinton is approaching his task with typical eclectic thoroughness, consulting, often over private White House dinners, a wide cross-section of historians, academics, social scientists and cultural commentators, as well as politicians. But his address will also be subject to the 11th-hour tinkering also typical of this president.

As Mr McCurry put it, the speech will be "much more a thematic discussion of the state America is in, as it prepares for the 21st century, as opposed to a compendium of legislative proposals". The president is realistic enough, he added, to understand that the Republicans are in no mood to pass "a laundry list" of bills to the president's liking.

This is likely to translate, in practice, to an appeal to the great middle class. Mr Clinton will doubtless assert that the US economy is strong and creating new jobs, but he will also acknowledge its many uncertainties and suggest that these are best addressed not merely by government alone but by a new spirit of community action.

He has spoken frequently of late about the imperative of finding "common ground". This he defines as existing in the moderate political middle, whereas the Republican alternative, in his view, lies beyond the mainstream.

He will be expected, of course, to score some political points tonight, with attacks on the Republican intent to cut "investments in the future", in such areas as education and the environment. But the typical state of the union address is not excessively partisan.

As a rule, the opposition replies shortly after the address is over. This time, though, conscious of the fact that their response is but an afterthought in the reporting of the event, the Republicans have asked the TV networks for a half-hour in prime time tomorrow night, a request still under consideration yesterday.

Some interest attaches to the reception Mr Clinton will be accorded in Congress itself. By tradition, this is marked by respect for his office, but the president is held in unusual contempt by the more uncompromising Republicans, some of whom may be tempted to display it publicly.

As last year, the TV cameras will show Congressman Newt Gingrich, Speaker of the House of Representatives, sitting immediately behind the president. Then his ebullience, freshly installed in an office held by Democrats since 1954, was plain for all to see. Now, he is much chastened, in uncertain control of his troops, and his reactions may also speak political volumes about the occasion.

Mr Clinton could, of course, also devote some time to foreign policy, largely neglected in his three previous addresses, simply because his record now looks better than before. It is, for example, hard to imagine him not mentioning the presence of US troops in Bosnia, or peace efforts in the Middle East and Northern Ireland.

Even so, he may also remember the last State of the Union address given by a president about to enter a re-election campaign. In 1992, Mr George Bush, already under fire for being the "foreign policy president", celebrated his achievements in that area at the expense of domestic challenges. That is not a mistake Mr Clinton will want to repeat tonight.

Editorial comment, page 13

Movie makers vie for the Sundance kid's acclaim

Independent films are becoming an important source of profit for major studios, writes **Alice Rawsthorn**

When Robert Redford founded an independent film festival in deepest Colorado and called it after his ski resort – and hit film – it was dismissed as an expensive indulgence on the part of a particularly egoistical movie star.

The Sundance Film Festival has since confounded its critics by showcasing a string of acclaimed hits including *Reservoir Dogs* and *Hoop Dreams*. It is now in its 15th year and some 9,000 film makers, distributors and journalists have converged for this year's festival which runs until Sunday.

Sundance's success is not only due to the calibre of the films shown – last year's line-up included *The Usual Suspects* and *Muriel's Wedding* – but to the growing popularity of independent films in North America and Europe.

"There's been a real expansion in the market for independent films," said Mr Michael Kuhn, chairman of PolyGram Filmed Entertainment, which backed *The Usual Suspects*. "One reason is that big budget movies are now so expensive that the studios are terrified of taking risks, so people have to look to independents for anything new or different."

Another factor is that the Hollywood studios have been so badly burnt by costly flops that they look more favourably on cheaper films which can be highly profitable because of their low budgets.

Almost all the leading studios now have subsidiaries specialising in "independent" pictures. These companies, "mini-majors", can afford to promote promising small films in a way previously limited to big budget movies.

Miramax, the "mini-major" owned by Walt Disney, was so impressed by Quentin Tarantino's *Reservoir Dogs* at the 1992 Sundance that it produced – and heavily promoted – his second film, *Pulp Fiction*.

It grossed more than $100m in the US alone.

Similarly Fox Searchlight, the "independent" subsidiary of 20th Century Fox, used its marketing muscle to turn *The Brothers McMullen*, a $100,000 film that debuted at last year's Sundance, into a modest hit making more than $10m in the US. "Mini-majors" can also afford to mount Oscar campaigns, which are beyond the means of old-style independents. PolyGram, which is also the world's largest music group, recently brought forward the US premiere of *Dead Man Walking*, starring Sean Penn and Susan Sarandon, to make it eligible for the forthcoming Oscar nominations. The change of schedule meant that it was only shown in four cinemas in its first week. But it got rave reviews.

The higher profile of independent films has encouraged more cinemas to show them. There have been more "crossover" hits, films shown by mainstream cinemas which would previously have been limited to art houses. *Seven*, which has topped the UK box office for the past fortnight, was made by New Line, a US independent, before its takeover by Time Warner.

But the independent sector is still volatile as illustrated by the financial difficulties of two leading US independents, Savoy and Samuel Goldwyn. Three of their films – *Big Night*, *I Shot Andy Warhol* and *Sydney* – hope to find new distributors at this year's Sundance by convincing other companies that they are the next *Reservoir Dogs*.

However, Sundance is not always an accurate barometer of commercial success. PolyGram unveiled two films there in 1994. The festival hipsters raved about *Backbeat*, a Beatles biopic which went on to critical acclaim and modest profit; but scoffed at PolyGram's second offering – the quaint British comedy, *Four Weddings And A Funeral*.

AMERICAN NEWS DIGEST

Argentina, Brazil in motor accord

Argentina and Brazil yesterday sought to end months of uncertainty within the motor industry when they signed a transitional accord to govern production and import of vehicles to the end of 1999. The accord, signed in Buenos Aires, settles a dispute that erupted last June when Brazil, seeking to protect its motor industry and balance of trade position, unilaterally set import quotas, including on Argentine vehicles.

Argentina accused Brazil, a fellow member of the Mercosur customs union, of violating its rules and endangering $3bn of planned international investments in Argentine car plants.

Yesterday's accord, details of which were not officially released, raises the quota on Argentine vehicles to Brazil to levels well above likely Argentine exports. The concession takes into account the significant trade surplus built up by Brazilian car manufacturers during 1991-94 when Argentine demand for vehicles was booming. The motor regimes of both countries, South America's biggest vehicle makers, are due to merge from January 1 2000. *David Pilling, Buenos Aires*

US mops up after floods

Weary rescue workers mopped up yesterday after floods that swamped wide areas of the eastern US.

Thousands of residents who were forced to flee their homes in Pennsylvania, New Jersey and Maryland returned to flooded basements, ruined property and swamped streets.

Television footage showed an entire house in Wheeling, West Virginia being swept down the swollen Ohio river. In Washington, commuters faced traffic chaos as major roads near the Potomac River remained closed for a second day.

The city's National Airport remained open after fighting off a threat from flood tides at the weekend, but the main access road from the city centre was closed. *Reuter, Washington*

IADB to raise borrowing

The Inter-American Development Bank said yesterday it expects to increase its borrowings in international financial markets this year to about $4.5bn, a rise of $1.7bn over 1995. Last year's borrowing fell $1bn short of expectations because of unexpected early loan repayments.

Its 1996 borrowing plans suggest 73 per cent will be denominated in dollars, 10 per cent yen and 17 per cent in European currencies. Outstanding borrowings, about $26.5bn at the end of last year, are divided roughly equally between the three currency groups. The bank said it would continue to seek to cut the costs of its outstanding debt by buying higher coupon debt in the open market. *Stephen Fidler, London*

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.9	96.3	95.5
1987	108.4	106.0	6.1	106.3	95.6
1988	112.6	110.7	5.4	107.6	100.2
1989	115.6	112.4	5.2	101.4	98.9
1990	116.4	112.4	5.4	87.0	95.1
1991	114.0	110.4	6.8	64.6	100.0
1992	117.6	114.2	7.3	63.9	104.8
1993	123.8	118.2	6.7	69.0	110.5
1994	131.2	125.1	6.0	78.9	112.6
4th qtr.1994	5.7	6.9	5.5	83.6	112.9
1st qtr.1995	4.7	5.5	5.5	79.7	112.0
2nd qtr.1995	4.3	3.3	5.6	78.0	111.0
3rd qtr.1995	4.6	3.0	5.6	78.4	112.4
December 1994	4.9	6.4	5.4	84.9	112.6
January 1995	6.7	6.3	5.6	78.8	112.7
February	3.9	5.4	5.4	80.9	112.2
March	3.4	4.7	5.4	79.6	112.0
April	3.3	3.9	5.7	79.7	111.5
May	4.8	3.3	5.6	77.1	111.2
June	4.9	2.8	5.5	77.0	111.0
July	4.9	2.7	5.8	79.2	111.1
August	4.5	3.2	5.6	79.3	111.9
September	4.4	3.2	5.6	76.6	112.4
October	2.3	2.2	5.4	79.5	112.1
November		1.9	5.6		112.1

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	76.4
1986	106.8	99.7	2.9	94.3	83.5
1987	113.8	103.1	2.8	108.3	91.2
1988	122.6	113.1	2.5	135.9	96.6
1989	132.5	119.7	2.2	147.0	98.9
1990	141.7	124.5	2.1	149.8	96.0
1991	144.9	126.8	2.1	144.2	93.1
1992	138.9	119.0	2.1	124.2	92.1
1993	131.9	113.8	2.5	108.8	97.5
1994	129.8	114.5	2.9	102.2	105.4
4th qtr.1994	−0.7	8.2	2.9	102.4	105.4
1st qtr.1995	−2.3	6.1	2.8	107.8	105.9
2nd qtr.1995	−0.8	4.9	3.1	105.8	106.7
3rd qtr.1995	0.5	0.9	3.2	104.2	108.4
December 1994	−1.0	7.1	2.8	102.2	105.4
January 1995	−4.0	4.9	2.9	101.9	105.4
February	−1.8	7.4	2.9	115.2	105.7
March	−1.1	6.9	3.0	105.6	105.9
April	−1.5	6.0	3.1	102.2	105.0
May	−0.7	5.8	3.1	110.3	106.4
June	−0.3	3.2	3.2	104.7	106.7
July	−0.9	1.3	3.2	102.2	107.0
August	0.7	1.0	3.2	105.9	107.7
September	1.6	0.5	3.2	103.6	108.4
October		1.4	3.2	110.1	108.8
November		0.7	5.4		110.1

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.4	102.2	6.4	136.9	89.3
1987	107.4	102.9	6.2	149.5	90.0
1988	110.5	106.3	6.2	165.1	95.5
1989	114.2	111.4	5.6	219.5	87.9
1990	123.5	117.2	4.8	261.9	98.1
1991	130.5	116.1	4.2	297.8	95.2
1992	127.7	116.5	4.5	287.8	89.2
1993	122.3	109.1	6.1	229.0	95.2
1994	120.4	113.9	6.8	240.6	105.7
4th qtr.1994	−2.3	7.1	8.9	262.7	103.7
1st qtr.1995		3.0	6.7	271.8	102.1
2nd qtr.1995		1.9	6.8	276.7	101.8
3rd qtr.1995		0.0		265.8	101.0
December 1994	−1.1	7.4	6.8	258.8	103.7
January 1995		2.3	8.7	263.8	103.2
February		5.9	8.7	270.5	102.5
March		1.4	6.7	280.5	102.1
April		1.9	6.8	279.7	101.9
May		3.1	6.8	277.2	103.1
June		0.9	6.8	272.2	101.9
July		1.8	6.8	270.5	101.3
August		−0.3		264.6	101.3
September		−1.2		261.3	101.0
October		−3.2		258.6	101.0
November		−3.7		260.5	101.3

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.0
1986	102.4	101.2	10.4	107.0	96.3
1987	104.5	103.1	10.5	117.2	96.2
1988	107.9	107.3	10.0	135.3	101.2
1989	109.5	111.3	9.4	160.6	101.0
1990	110.4	112.9	8.9	163.2	96.5
1991	110.3	113.3	9.4	126.2	97.6
1992	110.5	113.2	10.4	109.5	96.5
1993	110.7	110.2	11.7	90.0	100.0
1994	110.8	114.4	12.3	104.1	103.3
4th qtr.1994	−0.5	5.5	12.0	103.5	103.3
1st qtr.1995	0.5	5.5	11.8	119.3	102.1
2nd qtr.1995	1.1	3.4	11.6		101.8
3rd qtr.1995	0.4	1.7	11.4		99.2
December 1994	0.9	6.6	12.0	99.7	103.3
January 1995	2.4	5.9	11.9	110.6	103.0
February	0.6	4.3	11.8	119.1	102.5
March	−1.5	6.2	11.7	128.1	102.1
April	0.2	2.1	11.9		102.6
May	2.6	3.9	11.6		102.3
June	0.5	4.2	11.5		101.8
July	1.8	2.3	11.4		101.4
August	0.0	2.3	11.4		100.8
September	−0.8	0.5	11.5		99.2
October	−4.4	−0.9	11.5		98.7
November	0.8				98.3

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.8	88.3
1986	108.8	104.1	10.4	94.3
1987	112.1	108.8	10.9	95.9
1988	107.9	114.2	10.9	100.2
1989	116.9	118.7	10.9	98.3
1990	114.6	118.0	10.3	95.0
1991	110.9	116.9	9.9	97.2
1992	116.9	115.4	9.8	94.2
1993	114.1	113.0	10.2	100.9
1994	107.4	118.9	11.1	102.9
4th qtr.1994	−7.4	9.7	11.4	102.9
1st qtr.1995	−3.6	9.0	12.2	101.7
2nd qtr.1995	−4.5	5.8	12.2	101.8
3rd qtr.1995	−5.9	5.7	12.1	102.3
December 1994	−2.5	15.0	n.a.	102.9
January 1995	0.9	9.8	n.a.	102.7
February	−1.4	8.1	n.a.	102.3
March	−10.1	9.2	n.a.	101.7
April	−2.1	5.4	n.a.	101.3
May	−6.3	7.1	n.a.	101.4
June	−6.0	5.4	n.a.	101.8
July	−3.5	4.0	n.a.	102.6
August	3.9	8.0	n.a.	102.9
September	−18.1	5.0	n.a.	102.3
October		4.6	n.a.	101.4
November			n.a.	100.7

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.0
1986	105.3	102.5	11.2	116.1	93.0
1987	110.8	106.5	10.3	141.0	97.1
1988	117.8	111.6	8.6	144.0	95.7
1989	120.1	114.0	7.2	124.3	93.5
1990	121.1	118.7	6.9	97.8	91.8
1991	119.4	109.5	8.8	68.6	95.0
1992	120.4	109.4	10.1	89.8	98.6
1993	123.9	111.5	10.4	76.6	105.9
1994	128.5	117.1	9.5	93.9	108.3
4th qtr.1994	3.4	4.5	8.0	105.3	108.3
1st qtr.1995	1.4	4.2	8.7	103.5	108.3
2nd qtr.1995	1.4	2.0	8.8	106.3	108.6
3rd qtr.1995	0.5	1.4	8.7	106.1	108.4
December 1994	3.7	4.0	8.8	108.3	108.3
January 1995	0.3	3.7	8.7	104.2	108.4
February	2.4	3.9	8.7	103.0	108.2
March	1.5	5.2	8.8	103.3	108.3
April	1.8	2.8	8.6	107.2	108.6
May	1.2	1.7	8.6	105.9	108.6
June	1.2	1.7	8.8	106.0	108.6
July	1.2	2.1	8.8	106.1	108.4
August	0.4	1.1	8.7	107.6	109.4
September	−0.1	1.0	8.8	113.7	109.4
October	0.5	0.7	8.6	112.5	108.3
November	1.4	1.8	8.5	113.4	108.3

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Policies against claims by Names 'invalid'

By Jim Kelly
Accountancy Correspondent

Managing agents at Lloyd's, the London insurance market, facing claims by hard-hit investors in the Merrett syndicates have been told that their insurance policies against such actions are invalid.

Solicitors for the insurers said yesterday that because the judgment in the Merrett case found that investors had been "wilfully" mislead, the errors and omissions policies were void.

The move will be challenged vigorously by the agents and by Merrett Names – the investors whose assets traditionally support the insurance market.

LLOYD'S
LLOYD'S OF LONDON

If the insurers are successful the move could expose other parties to the action to potentially higher claims – especially Ernst & Young, the Merrett syndicates' auditors.

In November the High Court ruled in favour of 2,000 Names on Merrett syndicates, having seen fresh evidence of negligent practice at the market.

The Merrett case centred on "run-off" contracts agreed in the early 1980s by which Merrett Names took on responsibility for claims outstanding on policies sold by other insurers. These left Merrett Names facing rapidly increasing bills for unforeseen US asbestosis and pollution claims. For the first time auditors were also found to be negligent – paving tha way for all enditors involved in litigation to make contributions to the market's recovery plan.

A number of Lloyd's agencies handling Names' funds and Mr Stepheo Merrett, underwriter and former deputy chairman of Lloyd's, were also found negligent in the way in which they had handled their business.

Clyde & Company, lawyers to the errors and omissions insurers, said: "This is not something that we have relished. The judgment was so fierce – we have been driven to take this step." The solicitors confirmed that the Merrett managing agency had been informed the cover was "void".

"This was prompted by the very trenchant findings of the judge about the behaviour of the Merrett managing agency – particularly that they wilfully withheld information on some matters," Clyde & Company said. "The terms of the judgment took our clients by surprise. The strong implication is that if the Names were kept in the dark – then so were the underwriters."

Mr John Mays, chairman of the Merrett Names' association, said: "We will of course dispute it.

"We are not pleased, but it is not a shattering blow – it is an encumbrance."

Mr Nick Land, senior partner of Ernst & Young, said: "The whole thing is still a moving feast, but this does indicate the uncertainty which springs from the injustice of joint and several liability."

Names want an interim payment while seeking total damages of up to £300m ($462m).

Film industry is warned of new funding crisis

By Alice Rawsthorn
in London

The failure of the government to support the UK film industry will continue to hamper the industry's growth in spite of the availability of National Lottery grants, leading UK film makers say in e study to be released later this week.

The industry has enjoyed a modest revival in recent years and seems set to maintain a high profile this year with the release of costume dramas such as *Sense and Sensibility*, for which Emma Thompson won the Golden Globe "best acriptwriter" eward in Los Angeles at the weekend.

However, Film 2000, a study of the industry by accountants Casson Beckman, warns that the UK's withdrawal from Eurimages, the film production fund financed by the Council of Europe, could trigger a reduction in direct government funding.

Eurimages provides funding for films that are co-produced by at least three European partners. The UK industry, which has received an estimated £16.5m ($25.4m) from Eurimages over the past five years, was furious wheo the government unexpactedly announced its withdrawal from the project in December.

Film 2000 says the withdrawal will not only deprive the industry of a useful source of funds, but may also make it more difficult for UK film makers to participate in European co-productions at a time when such projects are increasingly important.

One consolation for the industry is the government's recent decisioo to make National Lottery grants available to film makers, as well as for promotional initiatives and for new cinemas.

Film 2000 suggests, however, that the single most effective measure the government could take to help the industry would be the introduction of tax incentives similar to those available in the Irish Republic.

The Irish system, which allows part of a film'a production costs to be offset against tax, has already prompted a number of film makers to switch production from the UK to Ireland. Some scenes in *Sense and Sensibility* were filmed there rather than in the UK as originally planned as were parts of *Braveheart*, the Scottish historical epic directed by tha actor, Mel Gibson.

The Film 2000 study attacks the industry for inadequate financial planning, which could deter private-sector investors. It suggests film makers sbould improve their marketing efforts to investors – by proposing a broader choice of projects – and to consumers, by spending more money as US producers do on promoting their films.

Emma Thompson and Hugh Grant in a scene from Sense and Sensibility

Rule change will channel cash to athletes and artists

By George Parker
at Westminster

THE NATIONAL LOTTERY

Mrs Virginia Bottomley, minister responsible for the National Lottery, yesterday announced a shift in policy on the distribution of lottery proceeds by opening the way for money to be used to promote individual talent and support revenue budgets.

She abolished the rule that lottery money distributed by the Arts and Sports councils should be used only for capital projects.

She said she wanted the lottery to help develop young sporting and artistic talent, and could be used to promote cut-price ticket schemes to encourage young people to attend artistic and sporting events.

She also announced she was considering proposals from the Arts Council that lottery funds could belp to provide long-term "financial stability" to organisations snch as struggling theatres. The proposal would in effect provide revenue funding to arts organisations and remove the anomaly under which theatres could qualify for grants for new seats and stage equipment, but could not afford to pnt on productions.

"Many groups have called for lottery funds to made available to, for example, young athletes, for extra support for coaching and possible help to participants in the Olympic games," sha said.

"The changes that I am proposing will allow the Sports and Arts councils the flexibility to respond to these demands and make lottery funds available for the first time to benefit people directly."

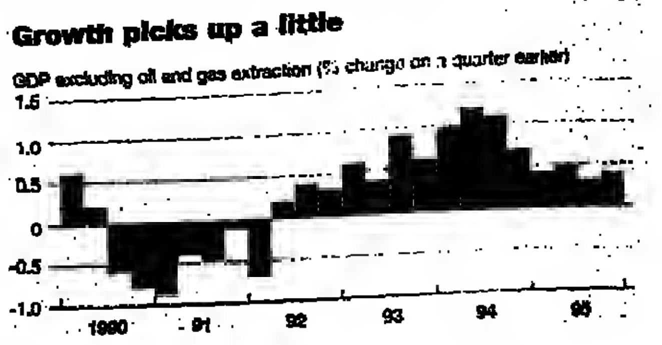
Ministers have been acutely aware of criticism that lottery funds had often gone to major capital projects such as the Royal Opera House, Covent Garden, rather than to "ordinary people".

So far £1.1bn ($1.69bn) has been awarded to good causes, far more than ministers had anticipated. Under the rule that only capital projects could qualify in the arts and sports field, ministers feared that the lottery could spawn a number of unnecessary schemes.

Mrs Bottomley said the grants would "tap talent and help to translate it into soccess for individuals, their communities and the nation as e whole".

Her proposals would allow distributing bodies to fund new initiatives which increase access to sports and the arts, but Mrs Bottomley insisted that it would not be "a substitute for existing grant-in aid, nor be a bail-out for poor financial management".

Growth picks up a little



Source: CSO

Spending helps boost growth in closing quarters

By Robert Chote,
Economics Editor

Buoyant spending in UK shops, pubs and restaurants kept the economy growing steadily at the end of last year, outweighing the impact of stagnating factory output.

Excluding the volatile North Sea oil and gas industries, the economy expanded by 0.4 per cent between the third and fourth quarters of 1995, the Central Statistical Office said yesterday. This was slightly stronger than in the third quarter and better than many City economists expected.

The economy grew at about this rate throughout last year. This was a weaker performance than in 1994, when growth averaged about 1 per cent a quarter. For most of last year, underlying growth remained below 0.5 to 0.6 per cent, which has proved sustainable in the past without pushing up inflation.

Analysts said confirmation that the economy was still growing at less than this "trend" vindicated the decision by Mr Kenneth Clarke, the chancellor, to start cutting interest rates again in December. But several still question the timing of last week's base rate cut to 6.25 per cent, especially if it went against the wishes of the Bank of England. Base rates are still expected to fall further in coming months.

With the oil and gas sector included, the whole economy grew by 0.4 per cent for the third quarter running, as expected by the Treasury when it drew up its Budget forecast. Growth in 1995 as a whole was 2.6 per cent, dowo from 4.1 per cent in 1994.

The driving force behind growth in the fourth quarter was the service sector, which now accounts for about two-thirds of the economy. Robust consumer spending helped push service sector output growth up to 0.7 per cent in the fourth quarter.

In contrast, factory output barely changed betweeo the third and fourth quarters. Manufacturers have been more affected than service industries by weaker European demand for exports. They also appear to have been running down stocks of unsold goods instead of stepping up production.

Most economists expect the adjustment of stocks to subdue economic growth during the first half of this year, with stronger consumer speoding providing momentum in the second. World growth – and therefore demand for UK exports – is also expected to pick up later in the year although some analysts fear a prolonged slowdown.

● Jobs growth among the UK's small to medium-sized companies is set to outstrip that in other European Union countries this year, a survey has found.

About 20 per cent of UK companies, with a turnover of between £800,000 and £80m, are planning to take on more staff this year, according to a survey of 5,000 EU companies by accountants Grant Thornton, and Business Strategies, the economic consultancy group. In the rest of the EU only 14 per cent of businesses are planning to recruit.

NEWS: UK

Hotels market revives after years in doldrums

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The hotels business in the UK is recovering after a long period in the doldrums. It will hit the headlines today when the outcome of the £3.9bn ($6.0bn) hostile bid by for Forte group by Granada, the TV and leisure company, is decided.

If Granada succeeds, it will become Britain's largest hotels operator with some 60,000 rooms to add to its present 1,400. The bid is itself a sign of the recent revival of in the British hotels business.

Bookings disappeared when the Gulf War broke out in January 1991. The following year the recession and high interest rates hit the industry hard, while an unfavourable exchange rate kept many visitors away.

But now hotels are looking forward to a period of strong growth. Economic recovery has stimulated business demand while strong growth in tourism has also helped. Ms Adele Biss, chairman of the British Tourist Authority said: "The value of tourism to Britain – currently worth some £36bn – is growing, with hoteliers, who are seeing significant rises in occupancy levels, being among the first to benefit."

Hotels at each end of the market – five-star London hotels and the fast-growing budget sector – are the main beneficiaries of this recovery. The tourist authority is promoting London as the gateway to the UK while the capital is also one of the most popular short-break domestic destinations. Pannell Kerr Forster, the hotel consultancy, estimates average occupancy at London hotels of 82 per cent last year compared to 68 per cent in 1991, but still a fraction under the 83 per cent reported 10 years ago.

Mr Paul Slattery, leisure analyst at Kleinwort Benson, believes the main reason for the buoyancy of the London market has been the limited addition to room stock in London since the hotel market last peaked in 1990. "Supply has hardly grown, but demand has grown because of cyclical recovery and secular growth due to the rising volumes of international travel," he says. "We project no material increase in room stock in London until the end of the century so we can expected to see continued growth in demand."

There has also been a recovery outside London, although room rates and occupancy are well below London levels. PKF estimated average occupancy of 70 per cent in regional hotels last year – a 20-year high with room rates growing for the first time in real terms since 1990.

There has been little new hotel development in the provinces in the past few years outside the budget hotel market. These mainly roadside hotels typically charging about £35 a night have grown by about 70 per cent according to PKF since 1992. The budget sector, seen in the industry as underdeveloped, is being fuelled partly by growing demand among travelling business executives, who are demanding batter cheap accommodation. They still comprise only 3 per cent of the UK hotel market compared with 15 per cent in France and 12 per cent in the US.

Forte and Whitbread, the brewer and leisure company, account for two-thirds of this market with their Travelodge and Travel Inn brands respectively. They have built these next to their roadside restaurant chains – Little Chef and Happy Eater in the case of Forte, and Beefeater or Brewers Fayre at Whitbread. Holiday Inn is also entering this market with its Express hotels.

If Forte survives as an independent company, it has agreed to sell its Travelodge business to Whitbread which would create the largest UK chain of budget hotels under a single brand. Whitbread, which earlier this month opened its 100th Travel Inn, has been expanding the chain aggressively from the 64 it owned a year ago.

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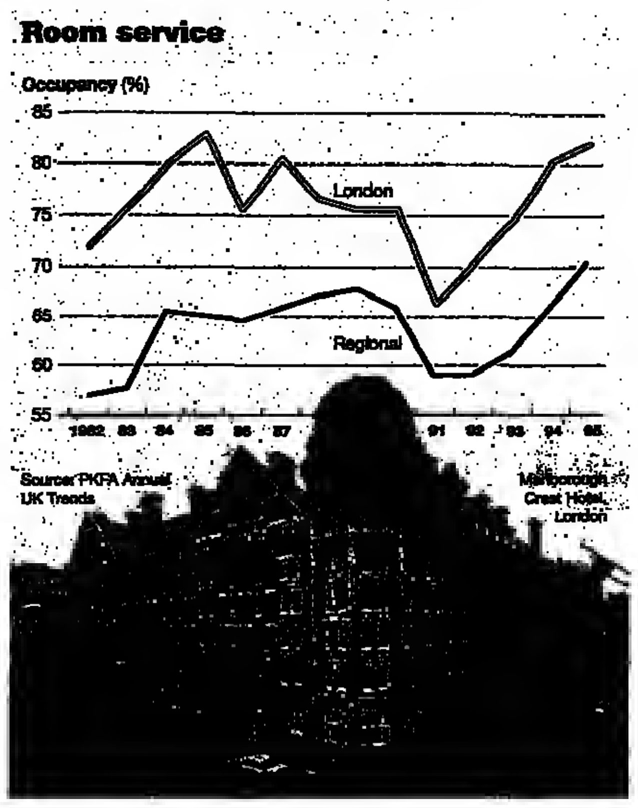
Room service



Heathrow expansion Opponents get their turn to attack airlines' case for fifth terminal

Acronyms stack up at crowded inquiry

By Michael Skapinker, Aerospace Correspondent

Day 101 of the Heathrow Terminal Five inquiry began today with every indication that the army of lawyers involved would still be around to celebrate day 300.

The proposal by BAA, which owns London Heathrow airport, to build a fifth terminal, taking annual passenger numbers from 54m to 80m, has aroused furious opposition from campaigners and local authorities.

BAA and supporters of the plan such as British Airways argue that without building Terminal Five Heathrow would lose business to Frankfurt, Paris and Amsterdam. Paris and Amsterdam have substantial room to expand, are investing in extensions and are linked into the European rail system, with stations beneath their terminals.

Last week, opponents of expansion at Heathrow were given the chance to put forward their case.

The local authorities' expert witness, aviation consultant Mr Peter Mackenzie-Williams, did not attract much moral support from the congregation of pressure groups at the inquiry.

CARE had a representative there, but he soon got up to go. What does CARE stand for? "Just CARE, it's a local residents' association," he said.

Is CARE for or against the terminal? "Against, of course. Look, do you live locally? No. You see, to those who live locally it's a menace. It's the old story: money against the environment."

The man from Eanag disappeared too quickly to decode his acronym and Wara's table was empty. There was also no-one at the table set aside for the West London Foe, which turned out to stand for Friends of the Earth.

The cross-examination of Mr Mackenzie-Williams by Lord Silsoe, a lawyer for BAA, was as full of acronyms as the pressure groups' tables, with much talk of NGLAs (new generation large aircraft) and MPPAs (millions of passengers per annum).

It is planned that aircraft stands at Terminal Five will be constructed to accept the increased wingspan of new aircraft such as the Boeing 777, Airbus Industrie twin-engine A330 or four-engine A340.

The inquiry has heard 50 witnesses. There are 250 more to hear, all of whom will be cross-examined. A further 1,600 have said they want to address the inquiry, which will probably conduct avening sessions in town halls to accommodate them. Officials do not expect to finish taking evidence until summer 1997.

The inquiry will probably exceed the 278 days taken to hear evidence on Stansted, the previous airport record. The officials are not particularly proud of this, or at least not as proud as they are of the inquiry's computer system which produces transcripts of evidence on laptop screens three seconds after witnesses or counsel have spoken. The system was used in the O.J. Simpson and Maxwell trials.

Mr Roy Vandermeer, who presides over the inquiry, sits on a slightly raised platform in a hotel which used to be the hotel's swimming pool until they covered it up for the inquiry. Significant or not, Mr Vandermeer sits above the deep end.

UK NEWS DIGEST

37,000 knives handed over in amnesty

More than 37,000 knives were handed in at police stations during the month-long amnesty called after the murder by stabbing of a London head teacher outside his school. The amnesty was declared a "hugh success" by police who said the haul had included kitchen knives, knuckle dusters and others described as "some quite vicious items". The largest regional total – almost 4,000 – was handed in to the Metropolitan Police, who cover all of London except the City. Only 21 were handed over in the City.

The police announcement coincided with the memorial mass at Westminster Cathedral for Philip Lawrence, the 48-year-old teacher killed as he attempted to shield a pupil outside the gates of his school. A 15-year-old boy has been charged with his murder and another aged 14 with conspiracy to wound a boy of 14.

PA News

Mitchell cautious on eve of Ireland announcement

Former US senator Mr George Mitchell has let it be known thet he has no miracle cure to bring about all-party talks about peace in Northern Ireland. Officials close to Mr Mitchell's three-man inquiry into "decommissioning" of weapons held by the Irish Republican Army and its rivals say he has been disappointed by the quality of submissions to his panel over the past six weeks. "He realises the most he can achieve is to enable the peace process to limp on, but he has seen little imagination in the positions taken by parties or governments," the official said.

The British government will discuss the panel's recommendations today. Mr Mitchell and his colleagues – General John de Chastelain, a former Canadian chief of defence staff, and Mr Harri Holkeri, e former Finnish prime minister – have made clear that their recommendations will not amount to a panacea.

John Kampfner, Westminster

Lawyer for Virgin attacks TV licence decision

It was unfair for the Independent Television Commission to reject a bid by Mr Richard Branson's Virgin Television for the fifth British terrestrial television channel on the grounds that its programming was inadequate, the High Court in London was told. A lawyer for the Virgin Television consortium which includes Phillips and HTV said commission dismissed claims that Virgin's proposals for news were unacceptable because there would be insufficient supervision of Reuters, the proposed bought-in news supplier to Virgin. The lawyer was speaking at a court review of the decision to grant the licence to Channel 5 Broadcasting. That consortium includes MAI, the broadcasting and financial services group; Pearson, owner of the Financial Times; CLT of Luxembourg and Warburg Pincus, the US investment bank.

Stewart Dalby, London

Role of juries in fraud trials to be reviewed

Ministers are considering reform of the system for trying serious fraud cases following the acquittal of all defendants in the Maxwell trial. The cabinet is expected to review the trial-by-jury system after the outstanding cases against the Maxwell brothers have been completed. "Trial by jury is a very important part of our liberties from which the House and country would never move lightly." Sir Nicholas Lyell, attorney-general, said in the House of Commons. "But it does not meant that it is necessarily the only way." It was his first statement to parliament since the acquittal of Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg on charges of defrauding the Maxwell pension funds.

James Harding, Westminster

Gas company joins electricity venture

British Gas and Scottish Hydro-Electric have agreed to build a £315m ($485m) power station in western England in a move that could re-open the "dasb for gas" in the electricity generation industry. The two companies will jointly own tha proposed 755MW, gas-fired Seabank power station. About 500 jobs will be created during the construction phasa of the project, which will begin in the middle of the year. Siemens, the electrical company, has won the construction contract and will supply the plant's two gas turbines.

Robert Corzine, Industrial Staff

Arms case man fails to block extradition hearing

British businessman Mr Paul Grecian, one of four men cleared by the Court of Appeal in London of having conspired to illegally export military equipment to Iraq, must face a hearing to decide whether he should be extradited from South Africa to the US to face similar charges, a Johannesburg court ruled. Mr Grecian, who was arrested in South Africa soon after his conviction in Britain was overturned, lost an application that his continued detention was unlawful.

John Mason, Law Courts Correspondent

TECHNOLOGY

Magnet against physics

Three British engineers are claiming to have invented a new form of power generation which uses a magnet to turn a small amount of electricity into a much larger one.

The inventors are calling their machine the Mylenium Motor, because they believe that by the turn of the century – the millennium – it will be capable of running a vehicle or even a power station.

They are not divulging details of how it works because they have yet to have patents registered, apart from in the UK.

But Joe Marquis, one of the inventors, says a prototype has been built powered by a 12-volt battery producing five amps of current.

"We have found a way to get the magnet to turn the central core of the motor, which drives two alternators. These each produce 50 or 60 amps. It is a quirk, it goes against physics," says Marquis, a marine engineer who developed the motor with chemical engineer Brian Hayes and electrical engineer Philip Powell.

Experts are sceptical. "You can't go against physics," says Rex Harris, a professor at the School of Metallurgy and Materials, Birmingham University. "It is a nonsense to say you can get more energy out than you are putting in."

However, according to Harris, permanent magnets are accounting for a growing percentage of electric motors because they can make motors more efficient. In conventional electric motors, electromagnetism is created by passing current through a conductor wound into a coil.

Marquis says he and his fellow inventors are not "jumping up and down", but he does believe their new motor could have a "massive impact".

A box the size of two television sets could run a house, he says, and the motor could be scaled up or run in series, or scaled down to produce a micro-engine. The initial power source could come from the mains, via a resistor.

Andrew Baxter

The genetic causes of Alzheimer's disease have been found but a cure is a long way off, says **Clive Cookson**

The gene of distress

Which one of the 100,000 human genes is responsible for most disease, distress and suffering? The leading candidate for this invidious role must be the innocuously named Apo E, which is emerging as the genetic cause of half the world's Alzheimer's disease – the main form of senile dementia – and a lot of heart disease too.

When Allen Roses and colleagues at Duke University in North Carolina discovered the role of Apo E in Alzheimer's late in 1992, many medical researchers elsewhere were very sceptical. Dozens of clinical studies around the world have since confirmed their findings, although there is still some dispute about the proportion of cases caused by Apo E mutations; most estimates range from 50 to 70 per cent. Alzheimer's affects 500,000 people in the UK and more than 10m worldwide.

Apo E is a "susceptibility gene" or "genetic risk factor". Certain forms of the gene carry a much higher risk of suffering from Alzheimer's, but whether the disease actually develops – and at what age – depends on environmental (lifestyle) factors.

In contrast, people with the other three Alzheimer's genes discovered so far – APP in 1991 and the two presenilins last year – are certain to develop the disease at a relatively young age, whatever their lifestyle.

There are three main forms of Apo E, known in order of increasing risk, as alleles 2, 3 and 4. Everyone inherits two copies of the gene (one from each parent). Worst off are people with two copies of Apo E-4, who represent about 2 per cent of the population; half of them develop Alzheimer's by the age of 70 and almost all by 80.

Next come those with one Apo E-4 and one Apo E-3 (known as Apo E-3/4) followed by Apo E-2/4 and E-3/3. The fortunate Apo E-2/2 and E-2/3 groups (12 per cent of the population) are very unlikely to suffer from Alzheimer's unless they survive to extreme old age.

"We still have very little idea why Apo E causes Alzheimer's, though researchers have put forward several proposals," says John Hardy, co-discoverer of the first Alzheimer's gene (APP) at St Mary's Hospital, London, and now at the University of South Florida.

Apo E seems to perform a wide-ranging "housekeeping" role. It produces a protein that carries cholesterol and fat around the body, and carriers of Apo E-4 suffer a build-up of fatty deposits in their arteries; they therefore have a higher risk of heart disease as well as Alzheimer's. It is possible that something similar happens in the ageing brain: the cerebral blood vessels may be clogged up with fatty chemicals, starving the brain cells of essential nutrients.

But most researchers prefer other theories for the Apo E mechanism. They are looking for a more direct link between the gene and pathological signs of deterioration in an Alzheimer's brain: "plaques", composed mainly of beta-amyloid protein or BAP, which result from the break-down of a parent molecule called amyloid precursor protein or APP; and "tangles" of tiny fibres, composed of break-down products from another protein, called tau.

Some scientists believe that plaques and APP metabolism are a primary cause of Alzheimer's, while the tangles are a secondary development; others insist that tau metabolism is central and the plaques are secondary scars. It now seems possible that both plaques and tangles are scarring effects of a central metabolic problem involving Apo E.

A promising idea, promoted by Gareth Roberts of SmithKline Beecham Pharmaceuticals in the UK, is that Apo E affects the brain's response to injury. There is strong epidemiological evidence that people who suffer head injuries are more likely to develop Alzheimer's, and Roberts and colleagues showed recently that head injury results in the deposition of beta-amyloid protein – an early sign of Alzheimer's – in carriers of Apo E-4 but not in carriers of Apo E-2.

"We see the main disease process in Alzheimer's as the brain's repair system going wrong," Roberts says. "With Apo E-4, the repair process does not shut down properly after the injury has healed."

Roberts points out that the Alzheimer's process may be analogous to the inflammatory process in arthritis. This might explain the epidemiological fact that arthritis patients who take anti-inflammatory drugs over a long period show a relatively low incidence of Alzheimer's disease.

Genetic testing for Apo E among patients with Alzheimer's and/or heart disease has been carried out in research laboratories for about three years. The procedure is fraught with ethical dilemmas.

Consider a 50-year-old man with mild heart disease and no symptoms of Alzheimer's apart from slight forgetfulness. If the test shows that he has two copies of Apo E-4 – and therefore a high chance of developing dementia before the age of 70 – should he be given the bad news, when nothing can prevent the onset of Alzheimer's?

Many doctors would say not. The impact of knowing that he was soon to lose his mind would be bad enough. And with little legal protection for the privacy of genetic information, the man might lose his job and the prospects of buying health or life insurance.

While predictive genetic testing for Alzheimer's is probably undesirable, given the current state of medical knowledge, diagnostic tests for people already showing symptoms of dementia can be worthwhile.

The first commercial Apo E test for Alzheimer's is being launched in the US this week by Athena Neurosciences, the Californian biotech company. (Athena has licensed the diagnostic rights to Roses's discovery from Duke University, while Glaxo Wellcome of the UK has the therapeutic rights.) The test costs $195 (£125).

"This gives physicians, for the first time, a positive diagnostic test for Alzheimer's," says Paulette Setler, Athena's chief scientist. "Until now the diagnosis of Alzheimer's has been 'exclusive'; you carry out tests to rule out all other possible causes of dementia."

Research published last month by Judes Poirier of McGill University in Montreal suggests that gene tests may soon have a practical benefit in indicating the best treatment for individual Alzheimer's patients. Poirier found that tacrine, a mildly mind-enhancing drug from Warner-Lambert of the US, improved the symptoms of people with Apo E-3 but not Apo E-4.

"If this result is confirmed, it means that we should be able to define subsets of Alzheimer's patients who will respond to particular therapies," Setler says.

Tacrine, the first drug licensed to treat Alzheimer's in the US, has not been approved in the UK because the Committee on Safety of Medicines found that its overall benefits were too small and its side-effects too great. The balance between risk and reward would change if doctors knew which patients were likely to benefit most.

All the world's international drugs groups – and many biotechnology companies – are devoting substantial resources to Alzheimer's research. Several, such as Sandoz of Switzerland, put Alzheimer's at the top of their research priority list.

A drug that tackled the underlying cause of the disease, rather than just offering temporary amelioration of symptoms as tacrine does, would create a new market worth billions of pounds a year.

No such drug is yet in development. For example, exelon from Sandoz, currently in large-scale clinical trials, works in a similar way to tacrine, by boosting levels of acetylcholine – a neurotransmitter that is essential for memory and is depleted in the Alzheimer's brain.

However, researchers are responding quickly to the latest findings about the four Alzheimer's genes. "Within a month of the publication of the presenilin gene on chromosome 14, we had cloned the gene in our laboratory," says Paul Herrling, Sandoz research director.

The research is being helped by the development of "animal models" – strains of mice that show the symptoms and/or molecular biology of human Alzheimer's.

But no one should underestimate the work needed to translate the discovery of Alzheimer's genes into effective drugs. Even a partial cure for this dreadful disease is probably 20 years away.

The series on human genes continues next month with a look at cystic fibrosis.

Alzheimer's genes

	Chromosome	Year discovered	Per cent of cases: Early onset	Late onset
APP	21	1991	2 – 3%	
Apo E	19	1992	Uncertain	50 – 70%
Presenilin -1	14	1995	50 – 70%	10%
Presenilin - 2	1	1995	10 – 20%	1%

N.B. About 3% of all Alzheimer's disease has an early onset (below the age of 60)

Accent on Net speech

The English language dominates the services, software and content of the Internet. Some people see this linguistic unity as one of the Internet's strengths; others argue that it gives English-speaking nations an unfair cultural advantage.

Bob Rosenschein, president of Accent Software, is firmly in the latter camp. His company, which is quoted on Nasdaq and based in Jerusalem, is introducing a tool that will make it possible to access, author, publish and distribute World Wide Web pages and E-mail in 35 languages.

Americans are often unaware of the cultural needs of the rest of the world, he says. "It would be convenient if everyone spoke the same language, but there is a cultural richness from letting everyone express themselves in their own idiom."

Moreover, the ability to use different languages will be attractive to multinational companies and those wanting to market their products internationally.

Until now, producing multilingual versions of Internet services has been complicated by the difficulties of accommodating different alphabets, accents and directions of writing.

Internet with an Accent, launched recently, can cope with a wide range of languages – even within a single document – by "remapping" keyboards to allow for different alphabets.

The product includes a viewer, a standalone browser, a browser add-on, a HyperText Multi-Lingual Markup Language authoring tool, an E-mail add-on and E-mail reader. It can use any language version of Windows 3.1 or Windows 95. Currently, Japanese-speakers can only read Internet pages, but an authoring tool is expected to become available within a few months.

Internet with an Accent. Price £69; tel UK, (0)1923 208435 or contact the Accent home page: http://www.accentsoft.com.

Vanessa Houlder

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Densely worked subjects

Venice and a charitable trust are the worthy beneficiaries of two exhibitions, writes **William Packer**

At this time of year for several years now W.H. Patterson has put on this fund-raising exhibition in aid of Venice in Peril, which for most artists must be as good a cause as any. With over 50 painters contributing, many of them, your critic included, veterans of the entire series, the point would seem to be well taken. But Venice presents its problems – those all-too-familiar images of palazzo, canal and gondola can soon pall. That point too is well taken.

But we must be robust in our discrimination. What was good enough for the likes of Turner and Whistler, Sickert and Sargent, is surely always worth another look, another go. Many artists, and very good ones too, are happy enough never to move beyond an immediate level of recognition, finding quite enough to satisfy them in the Salute, San Marco and the palaces along the Grand Canal. But surely the real secret, as Whistler discovered, is to find that Venice within Venice of one's personal and private experience. It is the Venice taken by surprise at an unfamiliar corner, glimpsed while sheltering from the pouring rain, perhaps, or left behind as the boat casts off. This private Venice takes many artists years to find. Some find it, instinctively, at once.

All these types are to be found at Patterson. Judgment of quality is for us to make in the face of each particular work. The large and enjoyable selection is inevitably uneven, yet it demonstrates the remarkable hold that Venice still maintains on the visual imagination of so many British artists, and what it is still possible to achieve with so densely-worked a subject. Ken Howard, Tom Coates, Colin Hayes, Leslie Worth, Jane Corsellis, Edmund Fairfax-Lucy, Victor Willis and Peter Kuhfeld are only a few of the familiar artists taking part. To list them is not to pass judgment on the rest, but only to give something of the flavour and quality of what is on view.

The Delfina Studio in Bermondsey is another admirable cause, a charitable trust that brings young artists from around the world to work together for a year at a time. Set up in 1988 at Stratford-at-Bow in the East End, it moved to its present site, a converted chocolate factory, some 15 months ago, where it now boasts 35 individual studios, a gallery and restaurant. Since the resident artists do not use it all the time, the gallery is already most usefully established as London's latest public exhibition space.

The current show is of the work of the French figurative painter, Jean Rustin, who is now 67. Billed as his recent work, it is in fact a retrospective of sorts, with some of the examples shown going back to the early 1970s. This is no complaint, for it is always good to be given some idea of how the work has developed.

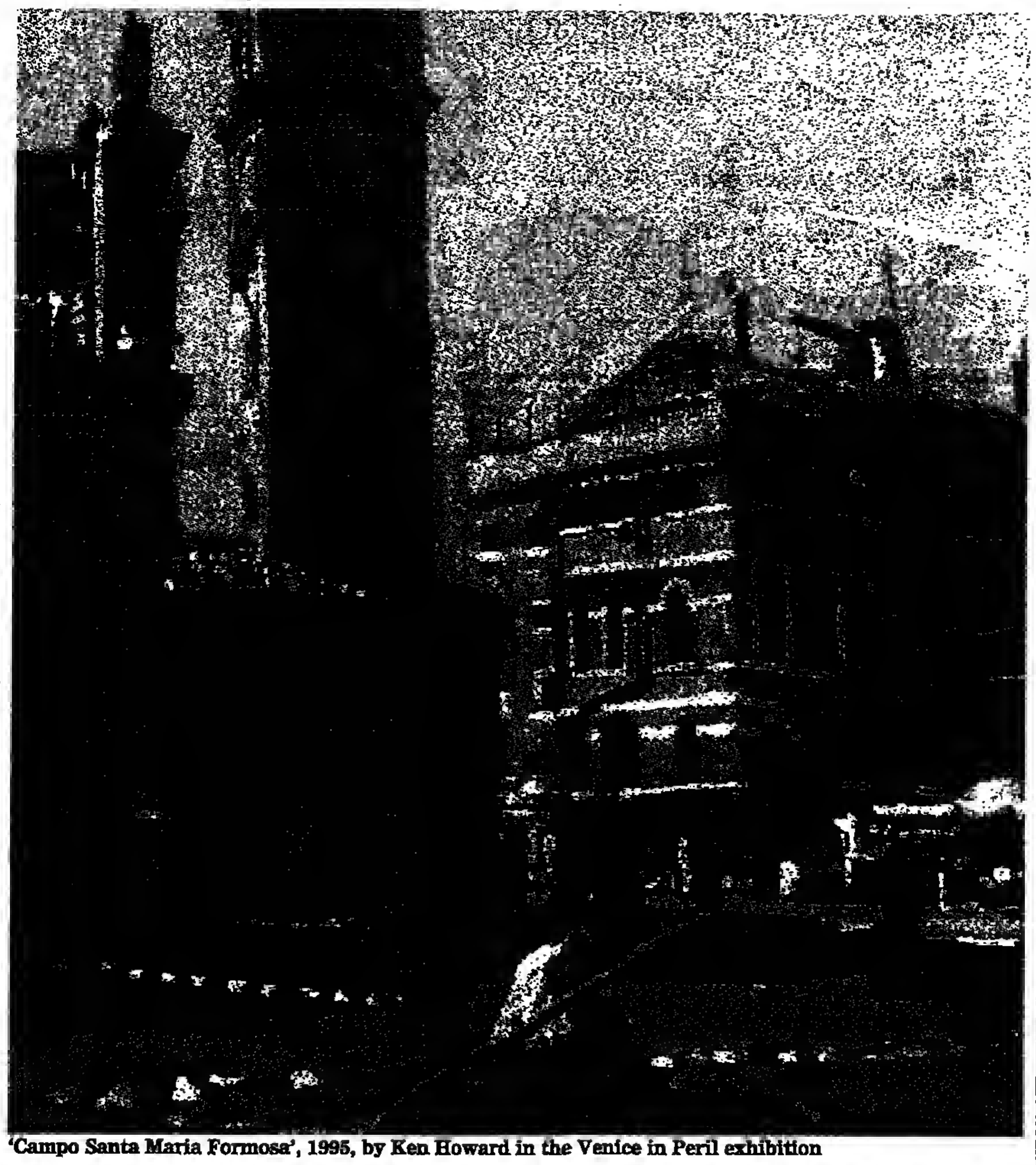
The early paintings seem to have been innocuous if ambiguous figure compositions; in which rather pale and somewhat formally simplified nudes combined within a clear but unspecific space. Since then both figure and space have become uncompromisingly specific – the cell-like space, bare as it is, now closely defined: the nude, male and female alike, presented in challenging and literal confrontation.

These are consciously provocative and unsettling images, for the subjects are almost invariably geriatric with every sign of suffering profound psychological disturbance. In their way they are beautifully done, the description swift and fluent, the paint rich and delicately laid on, which of course serves only to make the painfulness of the imagery all the more exquisite. But such technical accomplishment flatters rather to deceive. There is a glibness to the statement which, in the longer term, is rather worrying.

The problem is that powerful as these images undoubtedly are, their power rests entirely on their literal quality as images, rather than in anything integral to the form they are given. Content without form, after all, is just as empty as form without content. In Bacon, or Freud, or Balthus, the paint is the image. Here, all too frequently, we see only the grotesque sexual gesture and desperate grimace.

The pity is that in the few canvases where Rustin escapes, or neglects, his own self-conscious obviousness of subject and description, he reveals himself as a very good and interesting painter indeed. The answer as always lies in unselfconsciousness and the simple and straight-forward approach. A male nude, face invisible, sprawls across a bed. A woman stands half-turning in a harsh light against a striped wall. A simple study of a head returns our gaze. Enough is enough, and Rustin should allow us the room and wit to come to such things on our own terms. It is not for the artist to spell it all out, chapter and verse.

Venice – an exhibition in aid of Venice in Peril: W.H. Patterson, 19 Albemarle Street W1, until February 10; artists' visits sponsored by The Magic of Italy. Rustin – recent work: Delfina Trust Gallery, 50 Bermondsey Street SE1, until February 11.



'Campo Santa Maria Formosa', 1995, by Ken Howard in the Venice in Peril exhibition

Ballet/**Clement Crisp**

A Beauty cursed

With the first bars of the overture to *The Sleeping Beauty*, the Opera House curtains part to reveal a gauzy front-cloth. It is painted with an incomprehensible shape – a deranged baroque pediment, perhaps, garnished with a book, sprigs of greenery and a shaft of light, and unevenly balanced on the last relics of a concertina. Through one of Covent Garden's miracles of lighting, we also glimpse a tinsel-bright King and Queen, ecstatic over a new-born baby. And thus, before the overture has finished, is encapsulated everything that is wrong with the Royal Ballet's production.

The Carabosse-curse on this staging – and no Lilac Fairy to alleviate it – is mistrust. Mistrust of Tchaikovsky: the two final acts of the ballet truncated, so that musical architecture and careful pacing of events are minimised, and such egregious vulgarities as thunderclaps are added to a score resonant with dramatic effects. (And in the Hunt scene there is a shift of key, caused by a brutish cut before the start of the Marquises dance, which is a disgrace.) Mistrust of Petipa, whose dances are cramped by obtrusive design, his patterns flattened, his skilled contrast between a "real" court and the fantasy of fairy-tale denied by staging and crass costuming. Mistrust of *Beauty* itself as a masterpiece hymning the harmonies of classicism as ballet understands it, so that the dizzying convolutions of Maria Bjornson's vehement settings tear the eye away from dance towards the gratuitous caprices of her graceless architecture. What should be sublimely ordered in choreography and in manner teeters as if its foundations were giving way. Le Notre is forgotten. Petersburg is denied. Vivienne Westwood rules.

Why is it necessary to trump Petipa and Tchaikovsky's aces in the Christening scene by telling us during the overture of the baby Aurora's birth? The music is saying something else. How is it possible to fudge most of the important entrances – in a ballet built round stunning dramatic appearances – by damning dance and drama with a vast permanent oval which ruins our first view of Aurora and the magical arrival of the Fairy godmothers and obliges them to step gingerly down a too-steep staircase, and in the last act ranges a job lot of characters like spectators at a football match in a modern stadium? Is the justification for the Brobdingnagian table which crowds the dance in the prologue merely the fact that it enables Carabosse to appear from under it? In a ballet which everywhere celebrates the triumph of noble decorum, grace, it is yet another example of the frantic unreason which makes this account of *Beauty* so lamentable.

The catalogue of miseries in the Anthony Dowell/Maria Bjornson production is long and unrelieved. I sat through the staging twice on Saturday and at no moment could I believe in *Beauty* as the supreme achievement of classic dance. The coarse extravagance of costuming – too many of the women at the court of King Mistinguett wear gloves to the arm-pit; too many of the men are painted and wigged like shop-window dummies – and the incessant clamour of the design, deny dance and dancers. What should be assured in style looks flustered, indecisive. Small wonder that the interpretations I saw were less than convincing. The matinee was led by Muriel Valtat and William Trevitt, fighting to make their mark amid the encircling frockery and architectural posturing. In the evening, Viviana Durante and Bruce Sansom gave polished readings that sought to defy their surroundings.

I enjoyed two performances. At the matinee, Maria Galeazzi cut her variation in the last act quartet with diamond clarity. Later, Monica Mason reminded us of her grand and potent artistry as Carabosse. Mocking, sardonic, furiously focused, this is the only reading to confound my view that the staging thinks the wicked fairy is really Danny La Rue playing Miss Havisham.

Charles Ives weekend/**Richard Fairman**

One-off talent for dissonance

At present-day values the composer Charles Ives was a millionaire, but the money certainly did not come from his music. Determined to support himself as a businessman, Ives went into insurance and proved so successful that his company is said to have handled the largest volume of business in the US. True to his word, he never let his wife and children "starve on his dissonances".

It was fortunate for them that he took that attitude, since his music was hardly performed anywhere during the greater part of his life. Ives (1874-1954) was born well back in the 19th century, extraordinary though that may seem today. Not until the 1930s did he start to get a proper hearing and it is an irony that his wild and dissonant music from several decades earlier was readily accepted as being new alongside the other leading trends of the day.

Today he sounds just as "modern". So there is justification in the BBC Symphony Orchestra selecting Ives for its 20th-century composer weekend this year, however much one might feel that living composers need this kind of exposure more. As in previous years, it was a marvellously wide-ranging programme – not just the outlandish orchestral showpieces, but chamber music, films and unexpectedly puritan religious works – that aimed to give a real insight into this many-sided and contradictory personality.

In some ways Ives now looks the archetypal 20th-century composer. Writing for himself for most of his life, he was a loner. We can place earlier composers like Bach and Handel, Mozart and Schubert, Verdi and Wagner within the context of musical development easily enough, but Ives was the first of a peculiarly 20th-century phenomenon – the one-off, like Messiaen with his birdsong or Tavener with his Greek Orthodox ritual.

He is also of our century in the way he lets his subconscious dictate the subject matter for his music. Mahler went to Freud to discuss his preoccupations, but Ives just left his musical scores for posterity on the analyst's couch. A psychiatrist would find plenty to interest him in the dominating figure of Ives's bandmaster father, who turns up regularly in his music as a solo trumpet, not to mention the continual reminiscences of his childhood.

Sometimes it is like turning the pages of the Ives family's photo album. All of young Charles's formative years flash past – the marching brass bands, the hymn tunes from his days as church organist, polkas and quadrilles, fire brigads bells and police whistles – the images often getting superimposed in a dream-like cacophony of sound.

Saturday afternoon's lively concert by the London Sinfonietta under Oliver Knussen brought together a typically diverse collection of short, wild pieces. A scherzo called *All the Way Around and Back* was a two-minute musical depiction of a baseball runner on the home strait. *The Gong on the Hook and Ladder* pictured a fire engine going uphill out of time with the band. Knussen enjoyed that one and we heard it twice.

The main three evening concerts remained the preserve of the BBC Symphony Orchestra. Bravely it did not funk the most extravagant Ives challenges. Andrew Davis always rehearses his players to render complex scores with the utmost clarity, which was just as well in the face of some of the most over-the-top music ever written. There seemed to be order snatched out of chaos even in the infamous "Fourth of July" movement from the *Holidays Symphony*, where several brass bands, fireworks, drunks, prize-fighters and a drum corps rampage through the music.

There were many novelties. Straight from the organ loft came the musty *Celestial Country*, a semi-academic cantata for double chorus, organ, brass and string quartet. *The Pond* remembered father's cornet playing over a watery accompaniment. Even the Second and Third Symphonies, both cogent performances from the BBCSO and Davis, are hardly everyday works in Britain. Over the weekend these discoveries may often have been less than first-rate music, but when the masterpieces came – *Three Places in New England* or the heaven-storming Fourth Symphony – they were guaranteed to be wholly, uniquely, utterly Ives.

I leave until last the Sunday afternoon song recital, as it encapsulated the best of the entire enterprise. Two top-ranking American singers were on hand, Dawn Upshaw singing with an easy familiarity as if the music was an old friend, Thomas Hampson vocally resplendent as ever, accompanied with panache by Craig Rutenberg. The songs themselves show us Ives the homespun, the outrageous, the quizzical, the sentimental, the unfathomable. They are a portrait in miniature and a real delight.

BBC Symphony Orchestra concerts sponsored by Land Rover.

Obituary

Gerry Mulligan

Born in New York on April 6 1927 Gerry Mulligan, who died at the weekend aged 68, was one of jazz music's most influential players, writers and arrangers. Instantly recognisable, Mulligan's breezy lyricism on an instrument more noted for its sheer power survived the ravages of the avant-garde and fusion. From the early days of bop to the present day he remained devoted to melody and swing.

Originally a tenorist, he joined the Miles Davis band aged 21 as a baritone player. An important contributor to the trumpeter's seminal 1948 *Birth of Cool* session he also provided Davis with ageless tunes such as "Jeru" and "Venus de Milo".

In the early 1950s he moved to the West Coast where he formed his famous piano-less quartets. Originally featuring Chet Baker on trumpet, the laid back counterpoint and conversation refined by these groups helped lay the foundations for what became known as the West Coast sound.

Mulligan's baritone playing, agile and graceful, belied the size and musical weight of the instrument and some of his best records are effectively jam sessions with great figures from modern jazz – Thelonious Monk, Ben Webster and Paul Desmond. Into the 1990s he continued writing for, and leading, big bands: latterly a reprise of his entry onto the scene with *Rebirth of Cool*.

A slight, gawky figure, the gentle force of his playing never deserted him. At Brecon a couple of years ago the amplification in the cavernous market hall failed him and the engineers failed to notice. Mulligan played to the end of the number before declaring innocently, "Sounds kinda good like that doesn't it?"

Garry Booth

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Viktoria Mullova: the violinist and ensemble perform works by Haydn, Mozart, Bartók, Debussy and Prokofiev; 3pm; Jan 27
JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● Nat Adderley Quintet: performance by cornetist Nat Adderley, alto saxophonist Antonio Hart, pianist Rob Bargad, double bass-player Walter Booker and drummer Jimmy Cobb; 9pm; Jan 27
OPERA & OPERETTA
Het Muziektheater
Tel: 31-20-5518117
● Werther: by Massenet. Conducted by Edo de Waart and performed by De Nederlandse Opera; 8pm; Jan 24, 26, 29

■ AVIGNON

CONCERT
Opéra d'Avignon et des Pays de Vaucluse Tel: 33-90 82 42 42
● Barbara Hendricks: accompanied by pianist Staffan Scheja. The soprano performs songs by Schubert, Wolf, Debussy and Montsalvage; 8.30pm; Jan 24

■ BERLIN

DANCE
Komische Oper Tel: 49-30-202600
● Au-Delà: choreography by François Raffinot to music by Scelsi, performed by the Tanztheater der Komischen Oper Berlin. Soloists include Alma Munteanu, Angela Reinhardt, Thomas Vollmer and Gregor Seyffert; 8pm; Jan 24, 30

■ BILBAO

OPERA & OPERETTA
Teatro Coliseo Albia Antzokia
Tel: 34-4-4155490
● Les Pêcheurs des Perles: by Bizet. Conducted by Antonello Allemandi and performed by the Opera de Bilbao. Soloists include Ainhoa Arteta, Ramon Vargas, Yasuo Horiuchi and Michele Bianchini; 8pm; Jan 25

■ CHICAGO

OPERA & OPERETTA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● Faust: by Gounod. Conducted by John Nelson and performed by the Lyric Opera of Chicago. Soloists include Richard Leech, Samuel Ramey, Renée Fleming and Dmitri Hvorostovsky; 7.30pm; Jan 24, 27, 30

■ HAMBURG

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721.
● Così fan tutte: by Mozart. Conducted by Gerd Albrecht and performed by the Hamburg Oper. Soloists include Charlotte Margiono, Ning Liang, Andreas Schmidt and Laurence Dale; 7pm; Jan 25, 26

■ HOUSTON

EXHIBITION
Contemporary Arts Museum
Tel: 1-713-526-0773
● Derek Boshier: The Texas Years: this exhibition features 30 large-scale paintings by the British artist, in addition to a selection of drawings, prints and studies. Boshier made these works between 1980 and 1992, when he stayed in Texas. Also included in the exhibition is a recent work created since Boshier's return to Texas in the fall of 1995; to Jan 28

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● English Chamber Orchestra: with conductor Yan Pascal Tortelier and violinist Ida Haendel perform works by Chabrier, Debussy, Chausson, Sarasate and De Falla; 7.30pm; Jan 25
Wigmore Hall Tel: 44-171-9352141
● Ian Bostridge: accompanied by pianist Julius Drake. The tenor performs songs by Schubert and Britten; 8pm; Jan 24
● Janice Watson, Sally Burgess, Lynton Atkinson, Peter Coleman-Wright and Julius Drake: accompanied by pianist Malcolm Martineau. The soprano, mezzo-soprano, tenor and baritone perform works by Britten and R. Schumann; 6pm; Jan 24
EXHIBITION
Christie's Tel: 44-171-8399060
● Brazil through European Eyes: Brazil, as observed by European travellers in the 17th, 18th and 19th centuries, is the subject of this exhibition. The display includes paintings, watercolours and prints as well as a series of tapestries woven by the Gobelins factory in tha 18th century; to Jan 26

■ LOS ANGELES

OPERA & OPERETTA
Dorothy Chandler Pavilion
Tel: 1-213-972-8001
● L'Italiana in Algeri: by Rossini. Conducted by Richard Bonynge and performed by the Los Angeles Opera. Soloists include Jennifer Larmore, Kurt Streit, Constance Hauman, Michael Gallup and Helmut Berger-Tuna; 7.30pm; Jan 24, 27

■ MADRID

OPERA & OPERETTA
Teatro de la Zarzuela
Tel: 34-1-4298225/6
● La Bohème: by Puccini. Conducted by Elena Herrera and performed by the Teatro de la Zarzuela. Soloists include Fiorella Burato, Eteri Lamoris, Fernando de la Mora and Carlos Bergasa; 8pm; Jan 24, 26, 28

■ MILAN

OPERA & OPERETTA
Teatro alla Scala di Milano
Tel: 39-2-72003744
● The Gambler: by Prokofiev. Conducted by Valery Gergiev and performed by the Opera Teatro alla Scala. Soloists include Sergej Alexaskin, Vladimir Galouzine, Ljuba Kazarnovskaja and Mariana Tarassova; 8pm; Jan 25, 26

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Howard Hodgkin: Paintings 1975-1995: exhibition of approximately 50 works by the British painter Howard Hodgkin, surveying the work of this artist of the past 20 years. The display includes a group of Hodgkin's most recent paintings that have never before been exhibited; to Jan 28
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● The Makropulos Case: by Janácek. Conducted by David Robertson and performed by the Metropolitan Opera. Soloists include Jessye Norman, Hakan Hagegard and Graham Clark; 8pm; Jan 24

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Philharmonique de Radio France: with conductor Vladimir Fedoseyev and pianist Eugen Indjic perform Beethoven'a "Piano Concerto No.4" and Bruckner's "Symphony No.3"; 8pm; Jan 26
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Don Quichotte: a choreography by Boris Eifman to music by Minkus, performed by the St Petersburg Ballet Boris Eifman. Soloists include Galina Stepanenko, Yuri Klevtsov, Alexandre Ratchinsky and Alexei Donde; 8.30pm; Jan 24, 26, 28 (3pm)

■ VIENNA

OPERA & OPERETTA
Wiener Staatsoper
Tel: 43-1-514442960
● Manon: by Massenet. Conducted by Jan Latham-König and performed by the Wiener Staatsoper. Soloists include Elizabeth Norberg-Schulz, Simina Ivan, Jean-Luc Chaignaud and Kurt Rydl; 8.30pm; Jan 26, 30

■ WASHINGTON

CONCERT
Terrace Theater
Tel: 1-202-467 4600
● Washington Chamber Symphony: with conductor Stephen Simon perform Handel'a "Ode for St Cecilia's Day" and Haydn's "Mass No.9 in D minor (Nelson)"; 7.30pm; Jan 26, 27
OPERA & OPERETTA
Eisenhower Theater
Tel: 1-202-467 4600
● Il Barbiere di Siviglia: by Rossini. Conducted by Heinz Fricke and performed by the Washington Opera; Jan 25, 28 (2.30pm)

■ ZURICH

OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-268 6666
● Fidelio: by Beethoven. Conducted by Nikolaus Harnoncourt and performed by the Oper Zürich; Jan 24

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Financial Times Business Tonight

Martin Wolf

The tyranny of numbers

High and productive investment is the secret behind the Asian miracle, and it can continue to deliver high rates of economic growth for decades to come

Asia's miracle is a myth. So claims Paul Krugman – the iconoclastic economics professor at Stanford university.

"From the perspective of the year 2010, current projections of Asian supremacy extrapolated from recent trends may well look almost as silly as 1960s-vintage forecasts of Soviet industrial supremacy did from the perspective of the Brezhnev years."

Prof Krugman's castigation was published in *Foreign Affairs* in November/December 1994. It drew heavily on "growth accounting", notably the work of Professor Alwyn Young of the Massachusetts Institute of Technology.*

Ths economic success of Hong Kong, Taiwan, Singapore and South Korea, which the Chinese call the "four little dragons", does need to be explained. Between 1966 and 1990, overall annual growth rates, outside agriculture, were 7.3 per cent in Hong Kong, 8.7 per cent in Singapore, 9.4 per cent in Taiwan and 10.3 per cent in Korea.

Growth accounting starts to explain these by analysing increases in physical capital and the labour force, adjusted for changes in composition and skills. The contribution of each to growth is calculated by multiplying its rate of increase by its share in national income. Between 1966 and 1990, for example, Korea's adjusted labour force grew at an annual rate of 6.4 per cent, according to Prof Young, while the share of labour in national income was 70 per cent. So labour's contribution to Korea's non-agricultural growth was 70 per cent of 6.4 per cent, or 4.5 per cent a year. In the same way, capital's contribution is estimated at 4.1 per cent a year.

The role of technical progress is found by subtracting the contributions of labour and capital from total growth. Technical progress is thus a residual. Despite the rapid growth of these economies, such progress turns out to be far from exceptional. Between 1966 and 1990 Singapora showed virtually no improvement; Korea's was 1.7 per cent a year; Taiwan's 2.1 per cent; and Hong Kong's 2.3 per cent. These are not outstanding by international standards.

Prof Young describes such calculations as "the tyranny of numbers", by which he means that there is nothing special to explain. Prof Krugman concludes that the miracle was "based on perspiration rather than inspiration". The inspiration of technical progreas might be a miracle, but not the perspiration of high investment.

Economists have often called technical progreas "manna from heaven", because they were unable to explain it. But now they are trying to do so in the "post-neoclassical endogenoua growth theory", which Mr Gordon Brown, shadow chancellor, once mentioned, to slmoat universal scorn. Among the most important contributions to these theories is an undeservedly neglected book, *A New Theory of Economic Growth,* published by the Oxford economist, Maurice Scott, in 1989 (OUP). In it he demoliahed the growth accounting on which Prof Krugman relies.

The implications of Mr Scott's approach are four:

- The central distinction made by Prof Krugman is empty. All growth is caused by investment, with no residual for technical progress.
- Conventional sccounting generates large residuals bacause it understates the contribution of investment.
- Quite high returns on investment can be sustained almost indefinitely.
- The Asian "miracle" consists of high and productive market-driven investment.

First, the orthodox approach distinguishes capital accumulation, in which companies pile up physically identical equipment, from technical progress, which magically transforms what is then produced. Bnt the economically relevant distinction is not between ths perspiration of investment and the inspiration of technical progress. It is between rewarding and wasteful investment efforts.

Second, conventional sccounting understates the true contribution of investment because it measures the capital stock by adding only net investment (that is, net of depreciation). But one of the principal effects of high investment is rapidly rising wages. Thess higher wages are, in turn, the main cause of depreciation. But depreciation represents only a relative price change: the value of physical capital falls, while that of human capital rises. Accordingly, if depreciation is subtracted from investment, the latter's contribntion to overall growth is understated.

Third, investment creates not only rising real wages, but unexpected opportunities. The flow of new opportunities can sustain returns on investment for very long periods, although at early stages of economic growth returns can be exceptionally high. Professor Ian Little of Oxford University has estimated, for example, that between 1963 and 1973, Korea's rate of return on investment to the economy as a whola was 31.1 per cent, compared with 20.4 per cent in the UK and only 16.9 per cent in the US.

Finally, the Asian "miracle" resides not in mythical residnals, but in high returns on investment leading to fast growth, rising savings and so still more investment. To achieve this, the successful economies shared sound macro-economic policies, a well-edncated labour force, incentives for export that were as large as those for production for the home market and willingness to import technology. Trade was essential. Withont it, the investment effort would have run far sooner into the diminishing returns that undermined inward-looking patterns of development everywhere else.

So Prof Krugman is right – and wrong. There was no miracle, but that makes the performance more significant, not less. What has been done by a few can be replicated.

So can the rise of the Asia economies last? To this question there are three answers.

First, as economies advance, returns on investment are likely to slow towards levels in other rich countries, because the exceptional opportunities of the catch-up will disappear. But since the rich Asian countries invest roughly twice as much as a share of GDP as many western countries, there is a good chance that they will also become richer in the end.

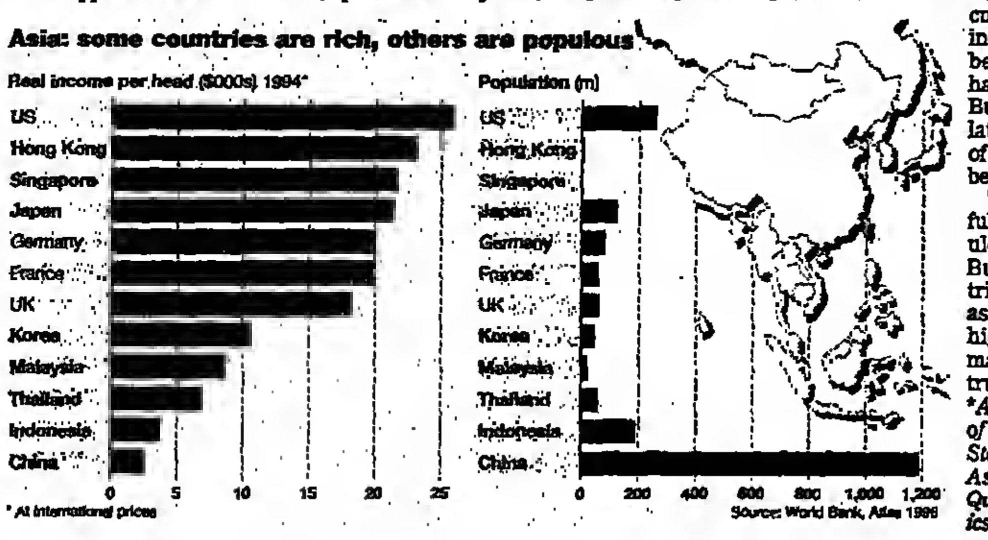
Second, the Asian path has already brought some of the economies to very high income levels, as the chart shows. It is not obvious why others should not do, if not as well, almost as well.

Finally, the path can be – and has already been – imitated. Among the imitators is China. Maybe the mainland Chinese will never be as rich as the people of Hong Kong. But at its growth rates of the past 15 years, China would take 20 years to attain Korea's current income per head. Its income per head would then be a third of US levels – hardly an overambitious goal. But with five times the population, the purchasing power of its national income would be almost twice as large.

The US is the most powerful, because it is the most populous, of the rich countries. But Asian developing countries contain almost four times as many people as today's high-income countries. Ultimately, size tells. That is the true tyranny of numbers.

Alwyn Young, The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience, Quarterly Journal of Economics, August 1995.

Asia: some countries are rich, others are populous



Personal View · Anders Aslund

Behind the new iron curtain of Europe

By not looking to its eastern borders the EU has failed to help Ukraine achieve economic stability

The weakness of the Ukrainian economy appeared to pose a threat to European stability in 1993 and early 1994. If Ukraine collapsed, Russia could not stand idly by.

But much has been accomplished since the election of the reform-minded Leonid Kuchma as Ukrainian president in July 1994. The threat of implosion and intervention has faded with the relative stabilisation of the economy.

Yet it is amazing how little the European Union has contributed to this process. The EU has managed to think about enlargement into central Europe, but no further.

EU ministers have little time for visits or thoughts of concerns on the Union's eastern flank because they are bogged down in the bureaucratic decision-making processes of Brussels. The result is a collective parochialism which needs to be addressed at this year's intergovernmental conference.

Western European protectionism is probably the greatest threat to the success of Ukraine's economic reforms. A third of Ukraine's exports consists of metals – mainly steel – and another third is chemicals, textiles and agricultural produce. These are all regarded as sensitive products by the EU, with imports subject to various quantitative restrictions and anti-dumping measures.

A new iron curtain is rising in Europe – between central Europe and the former Soviet Union. Only five crossing-points straddle the 800km of Ukrainian border with four central European countries. No border trade is to be noticed in Uzhgorod, where Ukraine meets Slovakia and Hungary. It takes between three and seven days for a Ukrainian lorry to enter Hungary.

When the EU is mentioned in the domestic Ukrainian debate, it is not likely to be as a paragon of free trade and open markets, but as an example to justify protectionism, regulations and subsidies. "If Germany subsidises its coal industry, why should not we?"

Little wonder that half of Ukraine's trade is still with Russia. The market entered Ukraine from the east, because 1,500 Ukrainian roads lead into the open Russian market economy. As for the Common Agricultural Policy, agriculture in New Zealand is a better model for Ukraine to follow.

Nor has the EU been generous with economic assistance. Last year Ukraine received roughly $5bn in financial support from abroad – stabilisation credits and debt rescheduling. The serious donors are Russia, the International Monetary Fund, Turkmenistan and the World Bank, in order of magnitude. The US, Canada, Germany and the Netherlands have also been supportive.

The total EU contribution was a credit of Ecu85m ($108.8m) – but Ecu60m of this was deducted to cover outstanding short-term "humanitarian" credits given for food imports in 1992. That leaves a net contribution of about $30m. If Brussels did not insist that member states should funnel financial support through the EU, Germany and the Netherlands would probably provide more generous support on their own.

The EU provides a lot of assistance – but this 'aid' must be spent on consultants from EU states: their nationality is more important than what they achieve

The EU provides a lot of technical assistance – Ecu52m was committed in 1995 by the Tacis aid programme which helps reform in the region. But this "aid" must be spent on employing consultants from EU member states: the nationality of the consultants is far more important than what they achieve.

The only Ukrainian matter that many Europeans are interested in is the future of the nuclear power station at Chernobyl, where an explosion in 1986 caused a nuclear disaster. They see this as a threat to their own security, but they are not prepared to pay for its closure. Instead, the EU demanded that Ukraine close the power station – which will cost at least $2bn – as a condition for their Ecu65m credit. While the Ukrainian electricity grid is on the verge of breaking down and large parts of the country often suffer power cuts, the EU just tells the Ukrainians to save energy.

The failure of the EU to make a contribution to the Ukrainian recovery commensurate with its resources is astonishing. Even more astonishing is that the failure is not a subject for debate in the Union.

From a Ukrainian perspective the EU is an organisation that barely functions. It needs to reduce the number of questions it deals with, so it can focus on essential issues such as Ukraine and the former Yugoslavia. It also needs far more majority voting to speed up its decision-making.

The narrow-mindedness of the EU as displayed in Ukraine is shocking. The EU must sort out its constitution so that it becomes able to rise above petty bureaucratic squabbles and formulate a vision for the whole of Europe.

The author is senior associate of the Carnegie Endowment for International Peace in Washington, and an economic adviser to the Ukrainian government

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

TV sports coverage proposal is in UK's national interest

From Lord Donoghue of Ashton and Lord Howell.

Sir, Lex ("UK sport", January 18) completely misrepresents the situation of those of us supporting amendments to the Broadcasting Bill aimed at securing national access to a few great national sporting avents. Not surprisingly it reached some wild conclusions.

We do not propose "banning Mr Rupert Murdoch" or "taking BSkyB out of the market" or confining the Olympics and the World Cup "only on free-to-air television". We are both regular-viewers of Sky sports.

Our proposal is to ensure that these great national events are not available only and uniquely on minority subscription or pay-per-view TV – which would mean that at least three quarters of the nation would not have access to them. We believe that covarage ("live" and "highlights" preferably being separated) should always also be availabls on terrestrial free-to-air channels. This is legislatively guaranteed in other countries, including Australia.

Many lifelong supporters of various sports, including pensioners, unemployed, and young people looking for sporting role models, cannot afford to pay hundreds of pounds a year for subscription TV. The sports they have supported or hope to participate in, owe them access.

We believa that, providing these issues are discussed fairly in the British media (a significant part of which is controlled by the chief proprietor of Sky), then it will be seen that oor proposal, which is based on the existing 1990 Broadcasting Act brought in by this Conservative government, is reasonable and in the national interest.

Bernard Donoghue,
opposition spokesman on sport and the media,
Denis Howell,
former minister for sport,
House of Lords,
London SW1A 2PW, UK

Compulsory pensions clearly a form of tax

From Mr K.J. MacIntyre.

Sir, Your editorial on pensions ("Stakeholders willy nilly", January 16) was interesting, but it is s fallacy to pretend that compulsory retirement saving is not a form of taxation. Any compulsory levy on incomes is a tax. The economic impact is identical to any other form of tax. It would be a hypothecated tax, since each contributor would have their own dedicated account.

The problem with such a system is that advocates such as Labour MP Frank Field and the Nstional Association of Pension Funds have not thought out the consequences of private funding. Such a system would need very tight regulstion and monitoring – even more than now when private pensions are voluntary.

The personal pension scandal has shown that, even with detailed and expensive regulation, things can still go badly wrong. With compulsory private saving – itself s contradiction in terms – the state would need to be more closely involved in supervising conscripted savings. This implies s huge increase in control and regulation, with elaborate compensation arrangements when regulation fails.

The mind boggles at how thousands of pension plans could be tightly controlled. Even the latest Pensions Act – despite its being thought of as a big step forward – is largely an exercise in self-regulation.

K.J. MacIntyre,
26 Shepherds Lane,
Guildford,
Surrey GU2 6SL, UK

Zero growth not limited to white population

From Ms Debora MacKenzie.

Sir, It was good to see Joe Rogaly has realised the importance of population growth, albeit he chose to focus on the relatively unimportant question of what colour will eventually predominate. ("The White Tribe's sunset", January 13/14). As the white tribe comfortably outnumbers, say, the African tribe, (by about a billion to 700 million), I don't think he need worry. He fails to realise that zero population growth is not unique to whites. Every other peopla in the world is headed in the same direction. Demographers now say it is a universal process in human societies.

But I must take issue with your correspondent (Letters, January 19) who notes that what matters is not birth rate, but survival of females. That wrinkle is factored into population forecasts. What sets population size is indeed not just birth rate – it is birth rate and death rate, especially at pre-reproductive ages. Sanguine predictions that the human population will reach 8bn or 10bn, then stabilise, assume the current slow decline in sverage world death rates will continue. Plummeting world food stocks and production capacity, and the emergence of new diseases as crowding changes human ecology, lead one to suspect that this may be an over-optimistic assumption.

Debort MacKenzie,
New Scientist,
European office,
14 Place de la Patrie,
1030 Brussels, Belgium

Risks of investing in Russia

From Mr W.P. Kitcat.

Sir, Lex will provida some encouragement ("Russia", January 18) for institutions which have not previously invested in Russia to do so if President Yeltsin wins. But they do need to bear in mind that it is not just the ability to invest through s stock market that is required but the underlying administration and custody of securities.

Whila Russia has been striving to improve things in this area there remains the fundamental problem of the lack of a centralised trading, clearing and settlement infrastructure and tha ability to prove and enforce legal and beneficial ownership of shares. Such securities and contract law as exists is not adequately supported by case law.

Regulations governing the maintenance of share registers are less than comprehensive. The Federal Commission on Securities in Russia has issued a series of decrees setting out guidelines for keeping s register; these have not, however, yet been incorporated into the official securities law. Certain institutions, in particular western custody banks, are taking initiatives to improve matters with a launch of a Russian Registry Company.

You may be able to get into Russia; but will you be able to get out? "Caveat emptor".

W.P. Kitcat,
managing director,
Lloyds Bank Securities Services,
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1 Suffolk Lane,
London EC4R 0AN, UK

A shocking state of affairs

From Mr Peter Kyriakeas Kirk.

Sir, I am shocked – shocked! – to read in your January 17 issue ("Battle to bridge a political gap") that Greece "retains the habit of putting its own national interests above those of the Union".

I can only pray that this behaviour does not corrupt the other more altruistic EU members, especially the UK.

Peter Kyriakeas Kirk,
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FINANCIAL TIMES

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Tuesday January 23 1996

Shedding light on bid fees

As Granada's bid for Forte reaches a climax, shareholders may be forgiven for feeling they have been inundated with more propaganda than they care to read. Yet there is one relevant piece of information which investors have not been given and which neither side will be keen to provide: a detailed estimate of the expenses and fees likely to be paid out to City professionals when the struggle is over. It is time for greater transparency in this area.

The takeover code, which regulates British bid conduct in great detail, imposes no requirement on companies to disclose their fees. The only existing obligation falls on companies issuing shares in a bid. They must give an estimate of the overall charges payable to financial intermediaries as part of the Stock Exchange's listing particulars.

Accordingly, Granada, which plans to fund much of its bid with equity, has disclosed that it expects expenses and fees to total around £106m. It does not break that figure down, but the lion's share will go to the institutions which have sub-underwritten its share offering and to the banks which have given it loan commitments. The remainder will be divided between a veritable army of investment bankers, brokers, lawyers, public relations advisers, accountants and printers. Forte, which has an equally long and impressive list of advisers, has disclosed nothing. The guess is that its fees will amount to between £30m and £40m. Nor is it clear whether, or how much, either side is paying its advisers in success bonuses.

The combined fees and expenses for the bid could total £150m, and if Granada wins it will be responsible, as Forte's new owner, for paying them all. Granada is bidding £3.9bn for Forte but only plans to keep businesses valued at around £1.7bn, though these do account for more than three quarters of the hotel group's profits. It hopes to sell on the remaining assets for £2.1bn, generating yet more advisory income for the City.

Shareholders in both companies may be happy to accept these costs as a necessary part of a takeover which has greatly boosted Forte's share price and may enhance Granada's earnings. But it is hard for them to come to an informed judgment since they are not in possession of the full facts.

A dispute four years ago over a hidden fee in a contested takeover prompted the Bank of England to circulate a paper to the Takeover Panel, the Accounting Standards Board and the Department of Trade and Industry, calling for the public disclosure of bid costs.

The Takeover Panel, the most suitable body to oversee such disclosure, rejected the Bank's suggestion. This was partly on the grounds that fees are subject to considerable uncertainty until the end of a bid, and could not be accurately calculated during the 60-day timetable of a takeover. Furthermore, the disclosure of success fees by one side could give strategic advantage to the other.

But these do not seem insuperable difficulties. Companies could keep confidential the precise details of advisers' fees, while giving shareholders a range of probable costs. Rough figures would be preferable to none, and should be easily calculable. After all, companies in contested bids have little difficulty forecasting the far more complex matter of their sharply rising future profitability.

Clinton agonistes

As President Bill Clinton approaches his State of the Union address tonight he should be excused some satisfaction. Most surveys suggest he has a consistent lead over Senator Robert Dole, his most probable opponent this November.

Yet the President is still endangered by personal controversies, above all the Whitewater saga. The root cause of his troubles has been a viciously partisan campaign by the most conservative sections of the media and Congress. Nonetheless, the White House has deepened its own difficulties. A strategy of persistent reluctance to disclose certain items has created an atmosphere of suspicion. As a consequence, the President finds his political agenda interrupted by the need to "redefine" previous statements.

Recent events are a case in point. For two years various prosecutors and government regulators sought the records of Mrs Hillary Clinton's work on behalf of the failed Madison Guaranty Savings and Loans. Throughout, the White House asserted that such documentation had been lost at the Rose law firm where Mrs Clinton was a partner. They also stated that her involvement with the institution had been minimal.

The files concerned were then discovered by the administration, and released two days after a statute of limitation on civil litigation had expired. This indicated that the first lady spent some 60 hours working on behalf of Madison and hence Mr James McDougall, the Clintons' co-investor in the Whitewater Development Corporation.

The billing sheets finally obtained prove no illegal behaviour. Sixty hours work hardly suggests Madison was Mrs Clinton's chief interest. Yet the initial claim and the manner it was handled obscured the underlying lack of evidence against her.

The same pattern was followed in Mr Clinton's attempt last November to invoke notions of lawyer-client confidentiality to prevent the release of notes taken at an Oval Office meeting on Whitewater. The Senate had to threaten Mr Clinton with a lawsuit before he relented. But once the minutes became public, little novelty was found in them.

For the Clintons, the best strategy would be total openness. Mrs Clinton, who yesterday agreed to respond to written questions on the subject, should be ready to testify fully before the Senate Whitewater Committee. All paperwork relating to the affair should also be made public. Otherwise, with a congressional investigation through the spring and the special prosecutor's report due this summer, Whitewater could stalk the Clintons to election day.

Mexico's banks

The Mexican government's efforts to restore growth to an economy that contracted last year by 7 per cent are hampered by the sorry state of its banks. Until they regain enough capital and confidence to resume lending, recovery will falter. But the government needs to approach its task in a transparent and fair way.

Bailing out the banks is a political and economic minefield. The more the government improvises solutions to the problem – its latest scheme is a rescue programme to help out up to 100 of the biggest Mexican corporations – the greater the risks it takes.

The government's worries about the banking system are understandable. Mexico's banks were privatised in 1991 and 1992 for about $12bn. According to analysts' estimates, so far the bank bailout is estimated to have cost the government $12bn. Shareholders have agreed to stump up $7bn or more. Some 30-40 per cent of the banking system's loans are estimated to be overdue. Another third has been restructured under government sponsored schemes.

Successful resolutions of crises such as these usually involve a spreading of the costs between debtors and creditors, shareholders and taxpayers. For it to be acceptable, the process has to be transparent and equitable. The various schemes with which Mexico's financial authorities are trying to deal with the crisis lack the necessary transparency. As a result, it is unclear whether the shareholders of the banks and of the biggest corporations are being asked to pay their fair share.

All bank bail-outs are potentially prey to moral hazard, meaning that bankers and debtors are encouraged to take undue risks by the knowledge that others, usually the taxpayers, will bear the ultimate costs. That risk is currently being run in Mexico. But there is also an important political dimension in a country where anger about the government's handling of the economy runs understandably high.

The plans will inevitably discriminate against some companies and favour others. They will be viewed as benefiting some debtors – in particular, the biggest corporations and the politically powerful families who own them – to the disadvantage of poorer debtors, who are not so favoured.

If the plans to rescue the banking system and some of its biggest corporations are thought to be merely cementing the traditionally cosy relations between government and its friends in big business, popular wrath will intensify. The government should clarify its proposals, be more open about the size of the bill and explain who exactly will pay it.

The FT Interview • Shimon Peres

The Damascus dilemma

Israel's prime minister wants a peace deal with Syria before the election he faces later this year, say **Quentin Peel** and **Julian Ozanne**

For a man facing one of the most critical periods in the life of his country, Israeli prime minister Mr Shimon Peres is remarkably calm.

Three months ago, 72-year-old Mr Peres was resigned to the idea of never leading Israel again, and to serving out his political career as the trusted lieutenant of Mr Yitzhak Rabin, who replaced him as leader of the Labour Party in 1992.

Mr Peres, who first served as prime minister in the mid-1980s, was thrust back into the job after Mr Rabin's murder on November 4 by a right-wing Israeli assassin.

That traumatic event demonstrated how irreconcilable are the differences among Israelis over the peace process launched by Mr Rabin and Mr Peres with the Palestinian Liberation Organisation and its leader, Mr Yassir Arafat.

Today Mr Peres must carry on without Mr Rabin. He appears more determined than ever to maintain the peace process, and convinced that it is the only way to ensure the survival of Israel and the stability of the entire Middle East.

In the next few weeks, he must decide whether to press ahead with a highly controversial peace deal with Syria, which will mean giving up Israel's military advantage in the Golan Heights. The alternative is to postpone the peace deal, and go for an early election to exploit the wave of public sympathy caused by the assassination of Mr Rabin.

Mr Peres's inclination is clear. "I don't feel urgency," he insists. "I feel only that what you can do today, don't postpone for tomorrow."

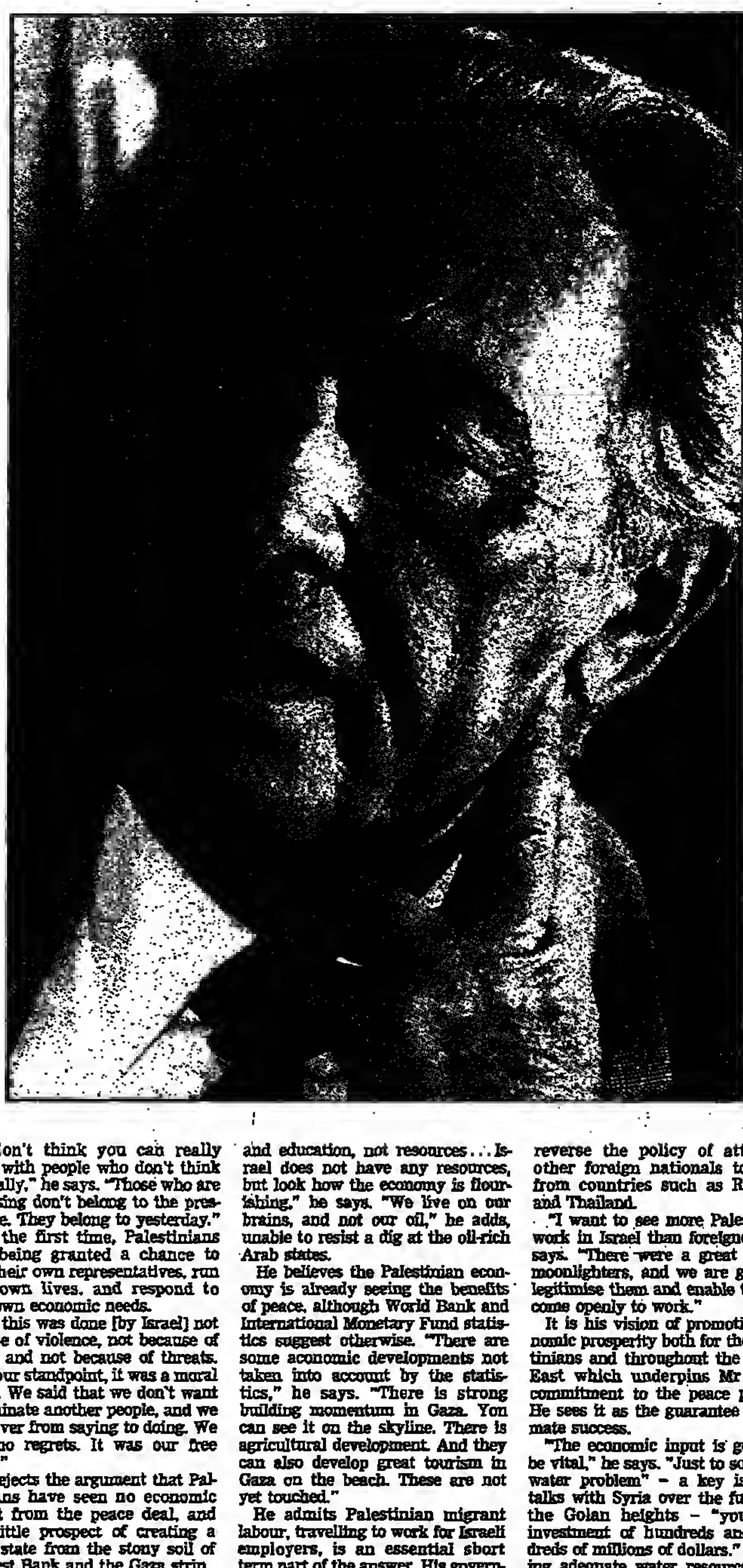
He likes to quote André Malraux, the French novelist, in his defence. "He used to say that mothers of children who are pilots are always praying their boys will fly low and slow," he says. "They don't understand that to fly high and fast is much safer. Now we have to decide if we can fly low and slow, or high and fast. I think high and fast is safer. I don't see what we gain by low and slow."

To press ahead with a Syrian peace deal now is a calculated risk. Mr Rabin was much more cautious than his successor. Mr Peres's new initiative could cause a backlash among Israeli voters already torn about the wisdom of the peace agreement with the PLO. Mr Peres has to fight an election by the end of October, at the latest, and an unpopular peace deal could simply be rejected at the polls, along with his government.

Equally, a good deal with Syria could ensure his re-election, and the preservation of the whole peace process with the Palestinians, as well as the rest of the Arab states of the Middle East.

Mr Peres knows the Palestinian agreement was itself a risk, but he believes that it is already showing signs of paying off. He welcomes the high turnout in the weekend elections in the self-ruled Palestinian territory of Gaza and the West Bank as confirmation that a majority of Palestinian society is now prepared to vote in favour of the peace process, and not for armed confrontation with Israel.

He is scathing in his dismissal of radical Palestinian groups such as the Islamic Hamas movement, which continue to criticise and boycott the peace process.



"I don't think you can really argue with people who don't think rationally," he says. "Those who are criticising don't belong to the present age. They belong to yesterday."

For the first time, Palestinians were being granted a chance to elect their own representatives, run their own lives, and respond to their own economic needs.

"All this was done [by Israel] not because of violence, not because of terror, and not because of threats. From our standpoint, it was a moral choice. We said that we don't want to dominate another people, and we went over from saying to doing. We have no regrets. It was our free choice."

He rejects the argument that Palestinians have seen no economic benefit from the peace deal, and have little prospect of creating a viable state from the stony soil of the West Bank and the Gaza strip.

"What you need today is not resources. What you need is education, because a modern economy is based on high technology, science and education, not resources... Israel does not have any resources, but look how the economy is flourishing," he says. "We live on our brains, and not our oil," he adds, unable to resist a dig at the oil-rich Arab states.

He believes the Palestinian economy is already seeing the benefits of peace, although World Bank and International Monetary Fund statistics suggest otherwise. "There are some economic developments not taken into account by the statistics," he says. "There is strong building momentum in Gaza. You can see it on the skyline. There is agricultural development. And they can also develop great tourism in Gaza on the beach. These are not yet touched."

He admits Palestinian migrant labour, travelling to work for Israeli employers, is an essential short term part of the answer. His government has increased the number of work permits for Palestinians by some two thirds, to between 70,000 and 80,000, and he has promised to reverse the policy of attracting other foreign nationals to Israel from countries such as Romania and Thailand.

"I want to see more Palestinians work in Israel than foreigners," he says. "There were a great deal of moonlighters, and we are going to legitimise them and enable them to come openly to work."

It is his vision of promoting economic prosperity both for the Palestinians and throughout the Middle East which underpins Mr Peres' commitment to the peace process. He sees it as the guarantee of ultimate success.

"The economic input is going to be vital," he says. "Just to solve the water problem" – a key issue in talks with Syria over the future of the Golan heights – "you need investment of hundreds and hundreds of millions of dollars." Ensuring adequate water resources is a cross-border challenge which links Turkey, Syria, Israel and Jordan.

Tourism is another sector which Mr Peres believes could make a big contribution to mutual security. "I always say that 100 hotels are no less important than 1,000 military positions," he says. "When you have hotels, you create a vested interest in peace."

The Israeli prime minister has been the most passionate promoter of the planned Middle East development bank as an essential part of the peace process, in spite of strong opposition from member states of the European Union, which fear the creation of another bureaucracy.

"In the Middle East, we don't have any positive economic body, only negative economic bodies like the Arab boycott," he says. "The mere fact of having an economic body which will think in a positive way is an innovation." He also believes the bank will be able to mobilise private capital to back up government money in building an integrated regional infrastructure.

Before his vision of regional development can become a reality, however, a peace deal with Syria is needed. For that he needs to persuade President Hafez al-Assad that an agreement which provides Israel with adequate security guarantees, in place of its military defences on the Golan, is also in his interest.

He believes that it may take the personal intervention of himself and President Assad to give those peace negotiations the urgency they need. "We have to climb to a higher level of negotiations," he says, on the eve of a new round of talks between officials in Washington. "President Assad is asking what will happen if we fail in our first summit. The answer is, we will have another one."

For Mr Peres, an Assad summit is critical to winning Israeli public support. "You cannot all the time negotiate by proxy. And also, your own people are watching you, and they are saying: 'Look, if the leaders are not ready to meet, why should we think they are ready to make peace?' So there is a psychological dimension."

Both sides have agreed they can talk informally, which is already a big advance. They have also agreed any Syrian-Israeli peace deal should be part of a comprehensive Middle East peace package, involving all the friendly Arab states. "That is very important for us, and for them, because it will give Syria a leading position in the peace process," Mr Peres adds.

It is also precisely what Mr Peres needs to persuade the Israeli electorate that withdrawal from the Golan, and an agreement with such a long-standing and bitter enemy as Syria, is worthwhile. If he succeeds, it will be no mean feat.

Perhaps Mr Peres' outward calm is merely the cultivated facade of a lifelong politician, for he admits that time is running out to reach a deal before the elections.

"The time available is not plentiful," he says. "Whether something is achieved or not, we shall have our elections by October 29.

"But we don't ask the Syrians to take our dates into account, because we are ready to do everything we can to win peace, more than to win the elections." What he fails to add is that if he does not win the elections, not only a Syrian deal but the whole Arab-Israeli peace process will be in doubt.

· OBSERVER ·

Budgie's new admirer

■ Reports that the Duchess of York has struck a marketing deal with Messrs Raymond Chambers and Frank Pearl suggest she is coming up in the world. These men are no toe-suckers, like Fergie's previous financial adviser John Bryan, but serious players.

Chambers, originally a New Jersey real estate man, hit the big time in 1982 with the leveraged buyout company Wesray, which he founded with the former US Treasury secretary William Simon. Their first deal, the buyout of Gibson Greetings, multiplied their investment by a factor of 150 in 16 months.

The two men hired Pearl, a chum of Chambers, as their legal expert. Wesray was wound up in the late 1980s, and Pearl now has his own business, the Washington-based Rapahannock Investment Co. He was recently in the news as part of a consortium buying 49 per cent of the Ritz-Carlton hotel chain. His company also owns a piece of Raleigh, the bicycle-maker.

Why these people would want to get involved with Fergie is another question. Pearl is a discreet member of the Washington establishment, in the running as next head of the culturally prestigious Kennedy Center. As he told the Washington Post recently, "living life as a public person is an unnatural way to live...there is something unbecoming about seeking publicity".

He also recently founded a publishing house, Counterpoint Press, which prints such authors as Solzhenitsyn. If he wants to go downmarket, that's his business. But Budgie the Helicopter?

Down and out

■ The European Commission's exhibition on the history of money opened in Brussels yesterday – with one notable omission. For some reason, the Ecu barely rates a mention.

As all Euro-watchers know, the Ecu is the French coin which circulated in mediaeval times not just in France but also in German towns such as Dresden and Hamburg. So how is it that Greek, Roman, Celtic, and Crusader coins all occupy space at the exhibition, whereas the Ecu is represented with just one solitary, dog-eared version?

Exhibition officials offered a sheepish grin to questions about the Ecu yesterday. The answer, it seems, is that Brussels relegated the Ecu to the status of "Un-coin" once it lost out to the Euro last year to became the name for the single currency to the Euro.

Just to complete the Orwellian twist, there were several placards on show yesterday in English, French and German declaring flatly that the Euro would soon be "routine" throughout Europe. Tell that to the Greeks.

Bath time

■ Jürgen Schrempp, Daimler-Benz's new chairman, is truly an inspiration to the nervous businessman. Mistakes? Who gives a damn?

Having sired a "love-baby" in Holland – the terms in which he couches the Fokker purchase he made, a mere two years ago, as chairman of Dasa – he yesterday placed his actions confidently in the context of the butchery for which he had been hired. The little matter of dumping the baby with the bathwater was neatly skirted.

"If we call ourselves businessmen, we make mistakes. Otherwise we do not deserve the epithet of businessmen" he opined cheerily. Right on. So that must make his predecessor Edzard Reuter, architect of the grandiose vision that has caused Daimler-Benz so much trouble, the biggest and best businessman of all, *nicht wahr*?

Puff piece

■ "If you think Europe has a future, we'd like to hear about it," announces the Philip Morris Institute which is running a competition for an essay on "What Europe for the New Millennium?" Remarkably, a shortlist of 50 contenders will be drawn up on the basis of a 300-word synopsis – hardly enough copy, one would have thought, in which to spot an original mind at work on this particular old chestnut.

But then Philip Morris, the tobacco company that funds the think-tank, likes brevity. Last year, its European operation ran an advertisement (later censured by the Advertising Standards Authority) alleging that while Pythagoras' Theorem took 24 words to expound, recent European legislation concerning when and where you can smoke consumes 24,942 words.

Meanwhile, Observer's entry should past the brevity test. What Europe for the Millennium? A smoke-free one, of course.

Stuck up

■ In dire emergencies, Observer has been known to keep a hem together with a spot of glue. But Olivier Lapidus, the fashion designer who put his spring-summer haute couture collection out to show in Paris yesterday, has gone one better. He has developed a new technique for pasting bits of fabric together without the intervention of thread at any point.

Not much good in the rain, presumably, but then who are the prospective purchasers of haute couture to bother with a little thing like that?

Financial Times

100 years ago

South African companies
We hear strong expressions of dissatisfaction at the London offices of South African companies being unable to impart any information to shareholders as to the position of affairs at the mines. With so many reports flying about as to the shutting down of batteries at particular properties, shareholders naturally expect to find the news either verified or contradicted at the London offices of the companies concerned; but the officials of those establishments generally have no more information as to the mining business at the Rand than they possess concerning the affairs of the bush.

50 years ago

U.S. criticism of controls
Reaction to President Truman's Budget message to Congress are mixed, but unfavourable criticism generally outweighs the applause of certain sections. Business men, although looking with pleasure at prospects of a nearly balanced Federal Budget in the fiscal year to end 30th June, 1947, are disappointed on the insistence of Mr. Truman in continuing controls over business, which business men regard as retarding reconversion. Foremost of these is the Price Control Act.

FINANCIAL TIMES
Tuesday January 23 1996

Israeli PM says face-to-face meeting essential

Peres seeks summit with Syria to spur peace deal

By Julian Ozanne and Quentin Peel in Jerusalem

Israeli prime minister Shimon Peres yesterday called for a summit with Syrian president Hafez al-Assad to ensure an Israeli-Syrian peace deal before the end of the year.

As Israel and Syria prepare to resume peace talks in the US tomorrow, Mr Peres warned that "time is running out" for a deal unless the two government leaders became directly involved in the negotiations.

"You have to meet face to face," he said. "You can't always negotiate by proxy. And also, your own people are watching you, and they are saying, 'Look, if the leaders are not ready to meet, why should we think they are ready to make peace?'"

In an interview with the Financial Times, Mr Peres said the timetable imposed by Israeli elections, which must be held no later than October 29 this year, was an "objective" reality. Both sides, seeking an Israeli withdrawal from the occupied Golan Heights in return for peace, this week had to thrash out ideas about security, sharing scarce water and the format of negotiations.

Although Mr Peres is facing a critical decision in the coming three weeks about whether to bring Israeli elections forward, he said he would not be pushed into an unacceptable peace deal by electoral considerations.

But he indicated he was ready for a quick deal if Syria showed a greater commitment. "I feel only that what you can do today, don't postpone for tomorrow," he said.

Mr Peres avoided giving any indication about the prospects for early elections saying that only a serious political development would cause him to bring the elections forward. However, advisers say he will make a decision after he assesses the prospects for a swift Israeli-Syrian deal when US secretary of state Mr Warren Christopher visits the region early next month.

The 72-year-old veteran Israeli politician outlined the economic programme he would present at the election. By 2000 he hopes to cut inflation from 8 per cent to below 3 per cent; to increase per capita income from $16,000 to $23,000 and allocate more resources to education. "I hope we shall have many more teachers than soldiers," he said.

Mr Peres hailed the Palestinian elections held at the weekend as showing a majority of Palestinians support the peace process. He was not concerned by the election of a significant number of independents and critics of Palestinian leader Mr Yassir Arafat. "Mr Arafat has quite a talent for manoeuvrability and he will bring them together."

He said his government was committed to reversing the previous policy of giving work permits to guest workers from Romania and Thailand and significantly increasing work permits to Palestinian migrant workers.

Arafat critics win seats, Page 4
The Damascus dilemma, Page 13

Japanese pension fund threat

Continued from Page 1

hands. The Nempuku did not say where it might put its funds if it did withdraw them, although the likeliest destinations are the nation's trust banks, the largest managers of pension funds.

The move could signal a radical change in the Japanese pensions management market.

The country faces a looming pensions crisis as its ageing population increases the current burden of providing future benefits.

Fund managers, hampered still by strict rules on allocations, are achieving returns far below what is necessary to meet their future liabilities.

Foreign asset managers, which were last year permitted a much larger stake in the Japanese public pension market, and which have achieved historically higher rates of return, seem certain to benefit from the changes.

If the move does lead to a widening of choice in the pensions fund investment market, it might prove beneficial to equities in the long run, since neither trust banks nor foreign companies are inclined to be as risk-averse as the life assurance companies.

Blow for Pakistan as bank sell-off is delayed again

By Farhan Bokhari in Islamabad

Pakistan's privatisation programme suffered a further hitch yesterday as the government announced that the planned sale of United Bank (UBL), the country's second largest bank, was being delayed for a second time.

Officials at the government's privatisation commission in Islamabad said the two lead bidders had sought more time for consultations with their boards. The Bahrain-based Faysal Islamic bank and Saudi Arabia's Bisharahil group are competing for the deal, which should have been struck on Sunday.

The delay is only of a week, but it triggered worries among analysts. In recent days, Pakistani newspapers and businessmen have speculated that one of the two groups is on the verge of withdrawing after failure to receive official guarantees that the government would inject up to PRs10bn ($277m) into the bank over the next three to four years to make it financially viable.

UBL has PRs20bn-worth of bad debts, just under a third of its loan portfolio. Analysts are concerned that the UBL case may affect Pakistan's plans to privatise Habib Bank, the country's largest bank, and Pakistan Telecommunications Corporation later this year.

Ms Zaina Nausherwan, an equity analyst at Taurus Securities, one of Karachi's largest brokerage houses, said: "The breakdown in the efforts to privatise UBL could be a fiasco for the government."

Mr Raza Mirza of Khadim Ali Shah Bukhari, another Karachi brokerage house, said: "Unless the government gives some kind of injection of capital to deal with UBL's loan portfolio, investors are not going to feel secure in buying this bank at an attractive price".

Pakistan is under pressure to privatise UBL by the end of this month to comply with a condition attached to a $600m standby loan agreed in November with the International Monetary Fund to shore up the country's foreign exchange reserves.

Duchess of York sells Budgie TV rights to pay debts

By Tim Burt in London

Shares in Sleepy Kids, the UK animation company which owns the rights to Budgie the Helicopter, rose sharply yesterday after reports that the Duchess of York had agreed to sell her interests in the cartoon character to a US investment group.

The duchess's deal represents a new level of commercialism for the British royal family as she tries to avert a personal financial crisis. The duchess's office said the agreement would ensure the payment of her creditors.

Shares in Sleepy Kids, the company which owns the rights to the cartoon character, rose 13p to 51p yesterday. The helicopter character last year generated sales of about £1.08m ($1.66m) representing 60 per cent of the total turnover at Sleepy Kids. The company has also sold limited television rights to Fox Television for $1.3m.

As part of the deal, the duchess is said to have agreed in principle to a "debt-for-royalties" swap. This would involve a lump sum payment in return for the surrender of her future earnings from Budgie under a 15-year licensing deal with Sleepy Kids.

Although no sums were disclosed, the payment is expected to cover the duchess's estimated £3m debts, which prompted a wave of media speculation last week about her financial security and relationship with Buckingham Palace.

Initial agreement was reached at the weekend after several weeks of talks between the duchess's advisers and the Amelior Foundation, a US charity backed by Mr Raymond Chambers, the New Jersey entrepreneur.

Mr Chambers is no stranger to cartoon characters. In 1982, he led an $80m buy-out from RCA of Gibson Greeting, which owned the rights to Looney Tunes and Sesame Street. Sixteen months later the company was floated for $290m.

Mr Chambers and partner Mr Frank Pearl – the leveraged buy-out investor with interests ranging from Ritz Carlton to Raleigh – have agreed to pay the duchess for her Budgie royalties as part of a wider package designed to secure her financial future.

As such, they would take over her relationship with Sleepy Kids, in which she receives about 20 per cent of all revenues earned by the UK group from the cartoon serialisation and merchandising of Budgie.

London analysts said yesterday's share price rise reflected investors' expectations that sales would rise following a more aggressive marketing campaign in the US and Far East by Mr Chambers and his colleagues and an improved deal with Fox.

Observer, Page 13

Daimler-Benz ends support for Fokker

Continued from Page 1

said they are not interested in bidding for the aircraft manufacturing operations. But Fokker has asked the government for a month's financial "breathing space" for talks with potential partners, possibly from Asia.

Mr Schrempp said the reorganisation would put Daimler-Benz on a more solid footing, turning it from a diverse technology group into a more narrowly-focused transportation company. However, the move cast doubts over the future of Dornier, the regional turbo-prop business.

THE LEX COLUMN

Flopping Dutchman

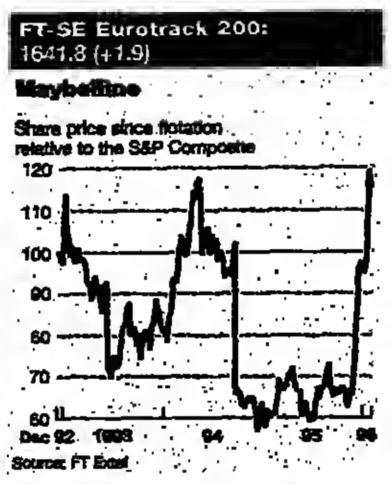
Whatever Fokker's ultimate fate, Mr Jurgen Schrempp, Daimler-Benz chairman, has shown a commendable willingness to grasp nettles. Withdrawing financial support from the Dutch aircraft maker will cost Daimler DM2.3bn ($1.6bn) in addition to the DM2.5bn it has pumped in since it bought its stake in 1993. But it also caps the German group's exposure – even if Fokker now goes bankrupt.

This is a huge step forward in Mr Schrempp's mission to clean up Daimler. In just eight months he has dealt with three of the group's worst problems – the falling dollar, losses at the ragbag AEG division and now Fokker. That reverses at least part of Daimler's disastrous diversification of the 1980s under Mr Edzard Reuter, the previous chairman, once famously labelled "the biggest destroyer of capital" in the history of the Federal Republic. It has also been a brave decision for Mr Schrempp personally, since he made the ill-judged decision to invest in Fokker.

Such medicine is clearly bitter. It will cause Daimler to post a loss of DM6bn for 1995 – half or more of which will be cash flowing out of the group. Fortunately, Daimler's strong balance sheet can withstand the pressure. And from this year on, Daimler's profitable businesses – notably the Mercedes car and truck arm – should show up on the bottom line. If Daimler's statement on future provisions this year can be believed, earnings could reach DM25 a share in 1996 and twice that in 1997.

Just as important, Daimler's action marks its transformation into a more commercial company, with a focus on profits rather than empire building. A particular benefit is that Dasa, the group's aerospace unit, becomes a more credible partner in any reshaping of the European defence industry – with British Aerospace a possible ally. So long as Fokker remained a black hole, none would go near.

FT-SE Eurotrack 200: 1641.3 (+1.9)



Source: FT Extel

Japan

Japan's creaking financial system gave another groan yesterday, when the country's largest public pension fund, the Nempuku, threatened to withdraw Y5,000bn ($49bn) of funds invested with the country's life assurers. Low interest rates, Japan's economic slump and their own weak balance sheets have forced the life companies to cut the rate of return they promise investors from 4.5 per cent to 2.5 per cent. The implications for Japanese stocks are mixed. For a start, the Nempuku's blustering may turn out to be bluff since it is unlikely anybody else will guarantee 4.5 per cent returns in such a low-inflation environment. But if it does withdraw funds from the life groups, they could be forced to sell a big chunk of their assets. The immediate impact on equities would be negative. But, longer term, such a move could lead to more funds being channelled into shares. This is because the Nempuku's money is likely to end up with Japan's trust banks and foreign fund managers, both of which are more aggressive investors than life groups and less inclined to invest in bonds. So the eventual impact on equities could be positive.

L'Oréal/Maybelline

Maybelline's shareholders have every reason to be grateful to Benckiser, the private German consumer products group. Benckiser has promised much and delivered little, but its statements of interest in Maybelline have forced L'Oréal to raise its initial bid for the US cosmetics group by 20 per cent. At 27 times estimated 1996 earnings, the $44 a share offer looks extremely generous.

Nonetheless, L'Oréal has got a good deal. The French cosmetics group has extremely deep pockets, with net debt of around FFr1bn ($200m) against a market capitalisation of FFr85bn. And while the deal will probably dilute 1996 earnings, it is strategically astute. L'Oréal has high exposure to the weak French and German markets. Maybelline will transform it into the second-largest producer of mass market cosmetics in the US, which are growing by 5 per cent a year. It can use its larger research and development facilities to improve Maybelline's product lines in an industry which is becoming much more technologically driven. And it can sell its lower market brands through Maybelline's existing sales channels.

But the strongest argument for the deal is that Maybelline has the brand and the distribution to make L'Oréal a force in the higher-growth emerging markets, which currently account for only 8 per cent of sales. L'Oréal's shares still look far too expensive on a 1996 price/earnings multiple of 25 – a 68 per cent premium to the French market. But at least this deal should reduce the risk of a derating.

Orange

Orange, the UK mobile phone group, has picked a good time to float – just when its marketing campaign is bearing fruit but before the counter-punch from established rivals Vodafone and Cellnet. Already broker reports talking up Orange's value are appearing. One, for example, from Kleinwort Benson, joint global co-ordinator to the flotation, puts the group's "enterprise value" at £3.3bn ($5.1bn). Subtracting debt of £500m would produce a market capitalisation of £2.8bn.

Such a sum is not inconceivable. But investors will note that, since Orange is still losing money, valuations are based on the discounted cash flow methodology that has had an unhappy record – producing duds such as Eurotunnel and the cable television stocks. Moreover, some of Kleinwort's specific assumptions look rosy. The broker, for example, expects average revenue per subscriber to fall only about 10 per cent over the next decade, despite the fact that there will be at least four operators, all with excess capacity, fighting for market share. Kleinwort also assumes that Orange will enjoy a price/earnings ratio of 16 in a decade's time, despite the fact that Britain should then be a mature market with 16m mobile users.

Orange may yet be priced attractively. But canny shareholders have already enjoyed the best returns by investing in Hutchison Whampoa and British Aerospace, Orange's current owners. BAe's market capitalisation, for example, has risen about £1bn since news of the Orange float leaked last September.

Lex comment on Granada, Page 21

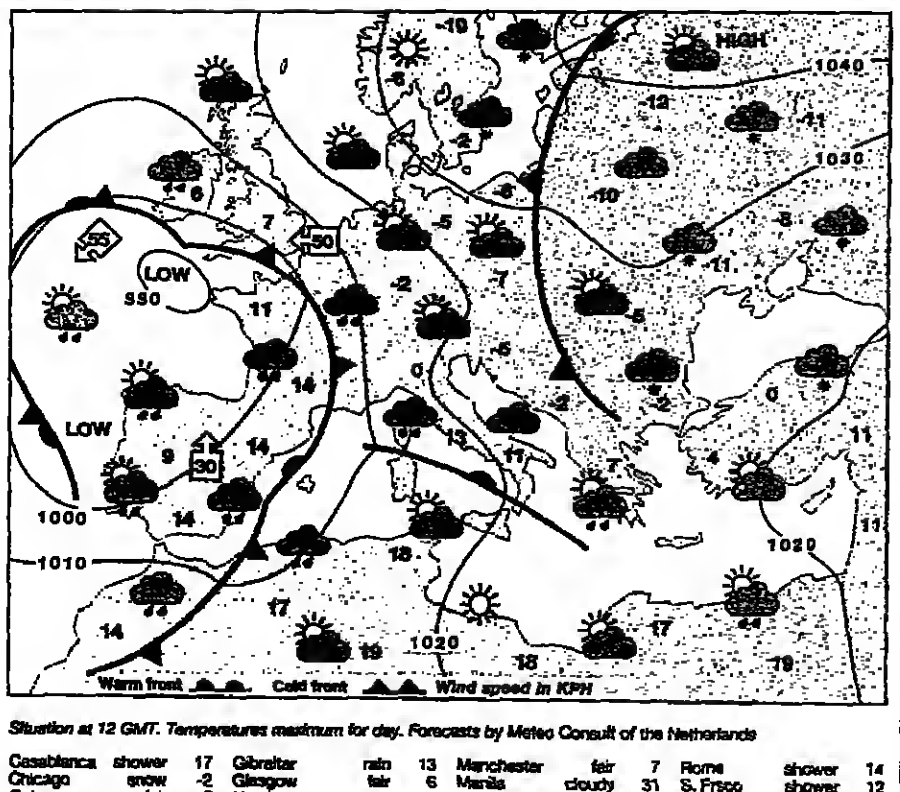
FT WEATHER GUIDE

Europe today

A low pressure system will push mild air and rain north across southern parts of the British Isles and France. The rain will spread to northern Italy and across to western and northern Spain. Central Germany and parts of Poland will have cold, dry easterly winds. Finland, southern Scandinavia and north-east Europe will be mainly dry, but light rain or snow showers are possible. Icy conditions may develop in Belgium and the Netherlands during the afternoon and evening. The northern Balkan states will be cool but mainly dry. There will be showers in northern Greece and the area around the Black Sea.

Five-day forecast

High pressure will persist across Russia and Scandinavia, maintaining wintry conditions across northern Europe. Low pressure will progress east across the Mediterranean. As a result, Spain will have heavy rain and strong winds by Thursday. The Balkans will become unsettled from Wednesday. North of the Alps, cold easterly winds will continue until the weekend.



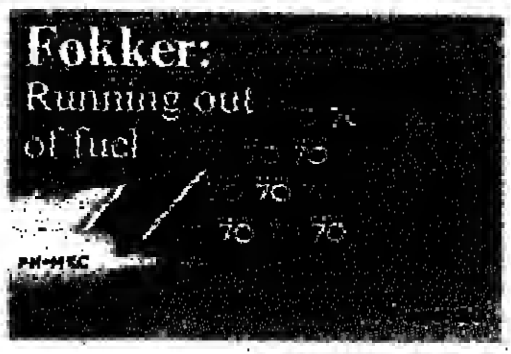
Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	cloudy	27
Accra	cloudy	32
Algiers	cloudy	20
Amsterdam	fair	1
Athens	fair	10
Atlanta	fair	14
B. Aires	fair	27
B.ham	shower	5
Bangkok	fair	34
Barcelona	fair	14
Beijing	fair	1
Belfast	cloudy	6
Belgrade	fair	-1
Berlin	fair	-6
Bermuda	fair	20
Bogota	cloudy	19
Bombay	sun	30
Brussels	cloudy	4
Budapest	fair	-4
C.hagen	fair	-2
Cairo	fair	17
Cape Town	fair	25
Caracas	fair	30
Cardiff	rain	7
Casablanca	shower	17
Chicago	snow	-2
Cologne	fair	2
Dakar	sun	24
Dallas	shower	20
Delhi	hazy	21
Dubai	cloudy	26
Dublin	rain	8
Dubrovnik	cloudy	11
Edinburgh	fair	6
Faro	rain	14
Frankfurt	fair	-1
Geneva	rain	4
Gibraltar	rain	13
Glasgow	fair	6
Hamburg	fair	-3
Helsinki	cloudy	-5
Hong Kong	fair	13
Honolulu	fair	27
Istanbul	cloudy	4
Jakarta	thund	29
Jersey	shower	7
Karachi	fair	27
Kuwait	fair	17
L. Angeles	fair	17
Las Palmas	fair	21
Lima	fair	27
Lisbon	rain	12
London	drzzl	7
Lux.bourg	fair	0
Lyon	rain	10
Madeira	shower	17
Madrid	rain	10
Majorca	shower	16
Malta	fair	18
Manchester	fair	7
Manila	cloudy	31
Melbourne	fair	25
Mexico City	sun	21
Miami	sun	27
Milan	rain	5
Montreal	snow	-6
Moscow	cloudy	-8
Munich	fair	-2
Nairobi	cloudy	27
Naples	shower	13
Nassau	fair	26
New York	cloudy	8
Nice	rain	13
Nicosia	fair	13
Oslo	fair	-6
Paris	rain	9
Perth	sun	35
Prague	fair	-6
Rangoon	sun	32
Reykjavik	shower	4
Rio	fair	33
Rome	shower	14
S. Frsco	shower	12
Seoul	fair	-1
Singapore	shower	31
Stockholm	fair	-3
Strasbourg	fair	1
Sydney	shower	25
Tangier	rain	14
Tel Aviv	shower	15
Tokyo	cloudy	8
Toronto	cloudy	-1
Vancouver	sleet	2
Venice	cloudy	4
Vienna	sun	-3
Warsaw	cloudy	-8
Washington	fair	11
Wellington	fair	23
Winnipeg	sun	-16
Zurich	rain	1

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 23 1996

IN BRIEF



Strong franc masks Nestlé sales growth

Nestlé, the world's largest foods group, reported a slight slip in 1995 sales to SFr56.4bn ($48.6bn) from SFr56.9bn a year earlier. Adverse currency factors masked underlying growth of 10 per cent for the year and markedly faster growth in sales volume in November and December. Page 18

US oil companies' earnings growth slows
Exxon and Amoco, the US energy groups, reported earnings declines for the final quarter of 1995, while their rival, Mobil, announced an increase, although all three sets of figures were distorted by one-off items. The three companies each registered a slowdown in underlying earnings growth for the period, after a year in which profits had risen strongly. Page 16; Oil prices fall as Iraq seeks UN talks, Page 23

Woolworth may spin off sports clothing
Woolworth, the troubled US retailer, confirmed it was considering a spin-off of its athletic footwear and clothing division – nearly half the business – after a proposal from two former associates of Mr Carl Icahn, the US corporate raider. Page 16

First Interstate in talks with Wells Fargo
First Interstate, the embattled Los Angeles-based bank, started merger negotiations with Wells Fargo, in a move which appeared to signal an acceptance that its favoured option – a merger with First Bank System – was unlikely to be completed. Page 16

Merrill rises to $303m in fourth term
The improving trading background for investment banks helped Merrill Lynch, the leading US bank, to increase fourth-quarter net income to $303m from $162m in the same period last year. Page 16

Mazda to streamline sales operations
Mazda, the Japanese carmaker which is 24 per cent-owned by Ford of the US, announced plans to streamline its domestic marketing and sales operations. Page 17

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Porsche	825	+	13
Falls			
Aachen Mch	1065	–	28
Asko Pf	670	–	10
CKAG Colonia	1175	–	23
GEHE	735.2	–	11.8
Hobmann	547	–	23

NEW YORK ($)

Rises			
Cordis	107½	+	7¼
Harley-Davidson	30¼	+	3¼
Newmont Gold	55½	+	3
UUNET Tech	65½	+	6½
Verifone	31	+	4¼
Falls			
Oxford Health	66¼	–	3

LONDON (Pence)

Rises			
Bluebird Toys	338	+	18
Capital Radio	410	+	25
Lucas	202	+	14
Sleepy Kids	51	+	13
Falls			
Danka Bus	575	–	23
Menzies	580	–	38

TORONTO (C$)

Rises			
Chrysler	70¼	+	2½
E-L Fin	88	+	2
Euro-Nevada	53½	+	1⅛
Fairfax Fin	101	+	2
Hummingbird	49½	+	2½
Falls			
Dorval	32¼	–	3½

PARIS (FFr)

Rises			
Essilor	1115	+	32
Intertechnique	440	+	10
Roussel-Uclaf	907	+	13
Falls			
Air Liquide	880	–	15
Canal Plus	899	–	19
Lyons des Eaux	457	–	13

TOKYO (Yen)

Rises			
Cr Bk Japan	771	+	10
Hitachi	1090	+	10
Koa Oil	1220	+	30
Tonen	1550	+	30
Falls			
Asahi Bk	1220	–	60
Sumitomo Bk	2040	–	80

HONG KONG (HK$)

Rises			
Cheung Kong	53.75	+	2
Hang Seng Bk	73.75	+	2.2
Henderson Land	54.25	+	2
Hysan Dev	22.85	+	0.9
Swire Pac A	64.75	+	1
Falls			
Wing Hang Bk	26.75	–	0.7

BANGKOK (Baht)

Rises			
Italian-Thai	270	+	10
Land & House	402	+	10
Loxley Pub	480	+	10
Siam Cement	1306	+	12
Thai Danu Bk	118	+	10
Falls			
Thai Ins	117	–	8

New York & Toronto prices at 12.30.

Benckiser bows out of Maybelline bid battle

By Richard Tomkins in New York

The bid battle for Maybelline, the second biggest US cosmetics company, yesterday appeared to be over after Joh. A Benckiser, the German consumer products group that had emerged as a hostile bidder, bowed out.

Benckiser's withdrawal leaves the way open for Maybelline to accept a greatly increased cash offer of $44 a share from L'Oréal, the French cosmetics company, valuing Maybelline at $808m. In addition, L'Oréal would take on Maybelline's debts of $150m.

The price eventually offered by L'Oréal represents a premium of 20 per cent over the sum it agreed to pay last month, and is likely to prompt suggestions that it paid more than Maybelline was worth rather than see it fall into the hands of Benckiser.

Benckiser remarked: "The board of Maybelline has done an exemplary job for the company's shareholders." It added that, although it was still interested in acquiring Maybelline: "At this time we are not interested in offering more than $44 a share."

However, Benckiser said it would continue to review the situation "especially in the event that the US Department of Justice opposes L'Oréal's acquisition of Maybelline".

Last month, L'Oréal, the world's biggest cosmetics company, agreed to pay $36.75 a share for Maybelline, valuing the company at $508m. Both sides thought they had a deal, but this month Benckiser unexpectedly emerged as a hostile bidder.

Benckiser adopted unusual tactics, only slightly outbidding L'Oréal with an offer of $37 a share, but saying it was prepared to make a "materially higher" bid provided it did not get involved in a takeover battle. Last Thursday L'Oréal countered by increasing its offer to $41.

On Friday, Benckiser again said it was prepared to outbid L'Oréal without specifying a price. But yesterday morning L'Oréal triumphed by further increasing its bid.

L'Oréal already has a substantial presence in the US market through its ownership of Cosmair, the fourth biggest US cosmetics company, which sells L'Oréal and Lancôme mass market cosmetics. Ownership of Maybelline, best known for its mascara, eyeliner and other mass market cosmetics, will make it the second biggest company.

The deal is not yet final because this concentration of ownership in the US market raises antitrust issues, so running the risk of an intervention by the justice department. A takeover by Benckiser would have raised significantly fewer risks because Benckiser's cosmetics command a much smaller portion of the US market.

However, some analysts believe the risk to L'Oréal is not great because L'Oréal's sales will still be smaller than those of Procter & Gamble, which has nearly 30 per cent of the US market.

TCI and Sega close to cable TV games deal

By Raymond Snoddy in London

TCI International, the international arm of TCI, the world's largest cable operator, is close to a deal with Sega Enterprises to launch Sega computer games channels on cable networks all over Europe.

The Denver-based company is negotiating a licensing and royalty agreement with Sega, the Japanese electronic games company, and a formal announcement could come next week.

The deal will also be significant for Flextech, the UK-based cable and satellite channel provider which has interests in or manages 13 cable and satellite channels.

Flextech, which is controlled by TCI, would take the rights to launch Sega games channels in countries such as the UK, Scandinavia, the Netherlands and Denmark.

The Sega channels, which are expected to be launched in Europe by the autumn, would give subscribers unlimited access to 25 games, which would be frequently changed, for between £10-£12 a month.

Sega games can cost as much as £50 to £60 each.

Subscribers would use Sega Megadrive consoles, which at the moment can be played on television sets, to gain access to a cable database of games using a special adaptor.

Cable companies would have a server, or database, at their headquarters, costing about £15,000 to transmit the games down the cable network.

TeleWest, the UK's largest cable operator, in which TCI has a large stake, has carried out a trial of the games channel. At the moment the plan is to run the channel only on cable networks, although it could, in principle, be extended to satellite with the use of a modem. TCI already runs an electronic games channel on its cable networks in the US.

The launch of games channels is an example of the increasing interactivity of cable. The large cable companies, which are spending billions of pounds building cable networks in the UK, see multimedia and interactivity as important weapons in the commercial battle with satellite.

More than 1.2m homes subscribe to cable in the UK, and the Sega channel could be a good business which would extend the range of entertainment and information services offered to subscribers.

The plan fits in with Flextech's strategy of developing new channels of programming for cable and satellite.

Its main interests range from channels such as The Children's Channel to a stake in the recently launched Playboy Channel. It also manages Discovery, the factual and documentary channel, and The Learning Channel.

AT&T buys stake in satellite TV unit

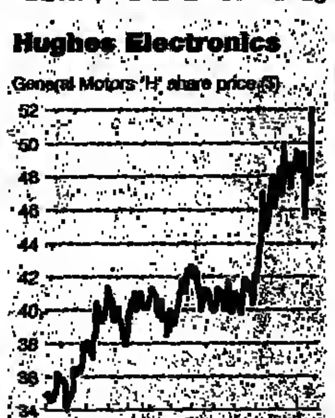
By Tony Jackson in New York

Shares in Hughes Electronics, the quoted subsidiary of General Motors, jumped 10 per cent in early trading yesterday as AT&T, the long distance phone company, said it would take a $137.5m stake in Hughes's Directv satellite television business. The 2.5 per cent stake puts an unexpectedly high implicit value on Directv of $5.5bn.

AT&T said it planned to offer Directv to its 90m US customers as part of a package including basic and mobile telephony and paging. It said the trend in the US market was towards a single source of supply for communications.

Hughes started up Directv, which offers its subscribers up to 175 channels, 18 months ago. Satellite TV is still a relative novelty in the US, by contrast with the much more established cable TV networks.

Directv, which is the leading



US operator, said that in its 18 mouths of operation it had attracted 1.25m subscribers. "This is the fastest growing new product in the history of consumer electronics," the company said.

Directv is not expected to move into profit until the end of this year. Mr Roger Threlfall of J.P. Morgan, the US investment bank, said the consensus had been in the range of $4.5bn-$5bn. The rise in Hughes's shares, np $4⅝ at $52⅝, added $2bn to its market value, bringing it to $21bn.

AT&T has options to raise its stake to 30 per cent over the next five years. The price paid would partly reflect the degree of success AT&T has had in attracting new customers.

At present, Directv sells its subscriptions and equipment, such as satellite dishes, through a network of 20,000 dealers and retailers.

AT&T said it expected growth in the business to accelerate as a result of its added marketing effort. However, it said it would not offer the basic service at a lower price than existing dealers.

The two companies said they planned to develop new multimedia services for Directv, comprising broadband information and entertainment. However, this would not include Internet access in the foreseeable future.

AT&T said it had not bid in an auction being conducted by the US government for a satellite spectrum. It said it would have cost more than $1bn to set up its own system, and would also have taken two years to get to market.

Orange to be valued at $4bn in March global offering

By Alan Cane in London

Orange, the mobile phone group owned by Hutchison Whampoa and British Aerospace, is coming to the main market through a *flotation* valuing the company at about £2.7bn ($4.15bn).

Its owners said yesterday that publication of the prospectus, the detailed timetable and the float itself were set for March, subject to market conditions. The price of the shares will be set by book-building. About 25 per cent of the enlarged share capital of the company will be sold.

Some £700m of new money will be raised to repay debt to shareholders, leaving the company with about £450m of debt. The global offering will be co-ordinated by Dresdner Bank-Kleinwort Benson and Goldman Sachs.

Shares will be sold to institutional investors in the UK, Europe, North America and Asia. There will also be an offer to retail investors in the UK.

Orange's customers will be sent details of the float and registration documents shortly before the prospectus is published. There will be no incentives or preference for retail investors.

The joint lead managers for the European tranche of the float are National Westminster and ABN-Amro. Cazenove, HSBC and Credit Lyonnais are co-managers.

The co-managers for the US tranche are Donaldson Lufkin & Jenrette, Merrill Lynch and Lehman Bros while co-managers for the rest of the world are HSBC, Nikko and Peregrine.

Mr Hans Snook, Orange group managing director, said the choice of syndicate members reflected experience and knowledge of the mobile phone business rather than the value of their bids for the business.

The company to be floated, in which Hntchison has a 68 per cent interest and British Aerospace a 32 per cent stake, has been newly created as a holding company of the Hutchison Telecommunications (UK) group. It comprises the Orange network, Hutchison Paging, a paging operator, and Hutchison Cellular Services, a mobile service provider for Vodafone and Cellnet, the largest and second largest UK mobile phone operators.

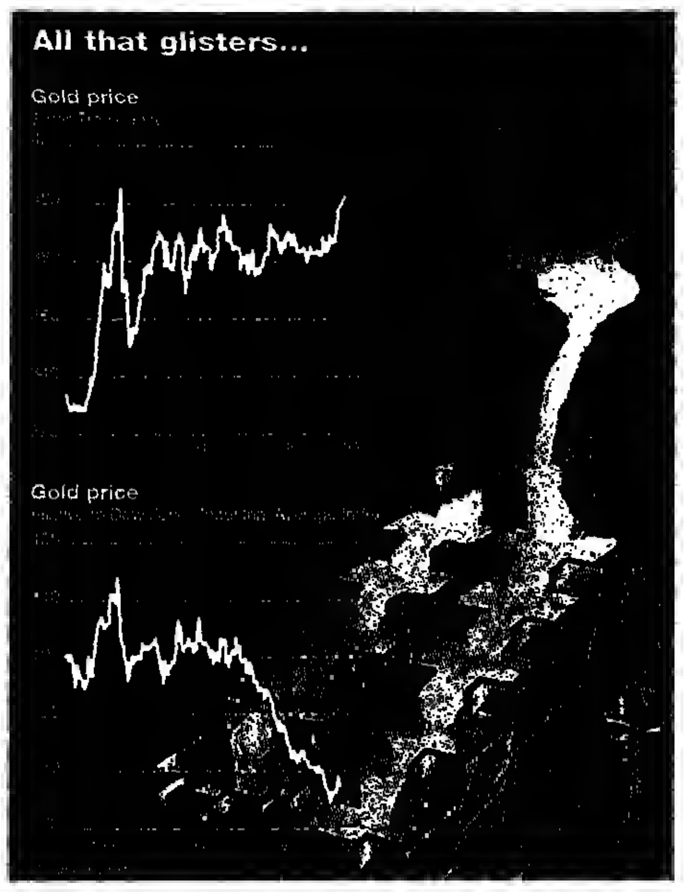
Hutchison's French and German subsidiaries will be transferred to Orange on flotation.

Orange is the most recently formed of the UK's four mobile phone companies but the fastest growing. It has 400,000 subscribers to its digital services – about the same number as Vodafone which has been in business for a decade, and equivalent to about 26 per cent of the UK digital market. Its share of the overall UK mobile phone market, which includes the older analogue networks, is about 7 per cent.

Lex, Page 14

Volatility returns as gold touches 2½-year high

Market loosens straight jacket



Volatility has returned to the gold market with a vengeance.

Last year, bullion traders, who find it hard to make money when there is no price volatility, were tearing their hair because gold was locked in the narrowest trading range since the price was set free in 1968. Gold ended 1995 at $387 a troy ounce after starting the year at $382. It rarely ventured outside that range and speculators began to assume that it would never break free from its straight jacket.

Then in the first week of the new year the price jumped by $10 an ounce to the highest level since financiers Sir James Goldsmith and Mr George Soros kick-started a rally in 1993 that attracted the attention of the US hedge funds and when gold briefly became "the play of the day". This rally took gold from $340 an ounce to $400 before it ran out of steam. Yesterday, gold closed at $402.1, having touched $403.1 in early trading, a 2½-year high.

Gold bulls suggest the $400 barrier will be left behind shortly and the price will be above $500 an ounce before long. Even the bears are saying gold will probably go to $420 for a while before the price slips again below $400.

The cause of the recent price rise is easy to establish. The US hedge funds unexpectedly switched some of their large cash resources into the gold market again. They were not buying physical gold so much as options to buy. But the impact on the price was the same and the sudden weight of money caught out the "shorts" – those who had sold gold they did not own in the expectation that the price would fall and they could buy at the lower level and pocket the difference. "There was panic among the shorts and a distinct whiff of singed flesh," said one trader.

"The best bet for the bulls is if the price could go beyond $420 and get speculative interest back into the gold market," suggests Mr Andy Smith, analyst at the Union Bank of Switzerland. "These things can happen after a market has been very quiet. The next $50 above $420 will be mnch easier to achieve than going from $400 to $420."

But what is causing all this excitement? After all, the stock market crashes in 1987 failed to send gold back above $400 and keep it climbing. Nor did the Gulf War. The collapse of the Soviet Union, the second biggest gold producer, and political upheavals in South Africa, the biggest, were also ignored.

The gold bulls point to two factors in particular. The first is that the gold price is anticipating a rise in global inflation. But the second factor is a new one and centres on the policy of Saudi Arabia, the world's biggest oil exporter. Gold bulls argue that Crown Prince Abdullah, who recently took over at the head of the government, will adopt a very hawkish policy to push up oil prices.

Ms Rhona O'Connell, analyst at stockbroker T. Hoare & Co, highlights the importance of the US economy: "Probably most important to the Americans in particular is the sustained scrapping over the US budget. The importance of this is not the short-term impact on the dollar, but the fact that gold thrives on the confusion of others, and if the leaders of the US cannot come to any kind of agreement on something as important as the US budget deficit, confidence is bound to take a knock." She also points ont that the weakened state of the German and Japanese economies could indicate that three leading reserve currencies might be "in play" – and "gold is the only other reserve currency available".

The bears dismiss these arguments, saying there is no substantial evidence that governments are less interested in keeping inflation in check or that Saudi policy will change. "That is not to say that we can't imagine a scenario where fund and short covering sends the market soaring to the $410-$420 area," says Mr Ted Arnold, analyst at the Merrill Lynch financial services group. "But I would be surprised if [those prices] lasted more than one month."

Prices above $410 would also encourage more forward selling of gold by producers, particularly in South Africa. The gold market recently absorbed nearly 300 tonnes of forward selling by the South Africans, Mr Arnold points out, and "a lot of that gold is tied up in options, warrants and house accounts. Higher prices could dislodge a lot of that gold."

The market for physical gold has demonstrated its elastic response to price movements and buying has dropped sharply even though this is the height of the purchasing season for the Chinese New Year and the Indian wedding season is in full swing.

"The gold market is now very sophisticated," saya UBS's Mr Smith. "Funds are buying options, they are not tucking gold bullion under the mattress. And people who own gold are more likely at the moment to be writing call options rather than buying more."

Kenneth Gooding

INTERNATIONAL COMPANIES AND FINANCE

Exxon, Amoco slip in final term but Mobil ahead

By Richard Waters in New York

Earnings at Exxon and Amoco fell in the final quarter of 1995 while Mobil registered an increase, though figures of the three US energy groups were all distorted by one-off items.

The three companies each registered a slow-down in underlying earnings growth for the period, capping a year in which profits had risen strongly, buoyed by higher oil prices and earnings from chemicals.

These factors, and continued cost-cutting, more than offset lower profit margins in the refining and marketing business.

Exxon reported record after-tax profits for 1995 of almost $6.5bn, up 27 per cent, as revenues rose 8 per cent to $123bn. But underlying fourth-quarter net income, before one-off items, rose by less than 8 per cent, to $1.59bn.

Mr Lee Raymond, the group's chairman, said the record results reflected an improved operating performance in all parts of the business, with higher production and sales volumes and cuts of about $600m in operating costs.

Full-year results were underpinned by a rise in the oil price, equivalent to about $1.25 a barrel more, on average, than in 1994.

Partly as a result, US exploration and production earnings rose 14 per cent to $969m, while international upstream profits climbed 26 per cent to $2.35bn.

Exxon's earnings from downstream operations, meanwhile, slipped 6 per cent in the US, to $229m, and 9 per cent elsewhere, to $1.1bn. The company blamed the international fall on "extremely weak" profit margins from refining in Europe. Chemicals earnings jumped by nearly $1.1bn, to just over $2bn.

Exxon continued to register strong growth in total fourth-quarter upstream profits – an increase of a quarter, to $909m. Downstream earnings fell by $68m to $50m in the US and rose by $5m to $270m elsewhere.

The fall in of basic chemicals prices since mid-1995 was also apparent with fourth-quarter chemicals earnings 3 per cent down at $403m.

Mobil's results reflected the impact of one-off items, which resulted in net charges for the year of $470m – almost identical to 1994's $472m.

According to Mr Lucio Noto, chairman, Mobil's full-year figures received no net help from changes in petroleum and petrochemical prices.

The earnings advance came on the back of a $300m reduction in costs. Yearly Operating earnings were 28 per cent higher, at $2.85bn, while they rose 16 per cent in the final quarter, to $760m.

Upstream earnings rose 5 per cent to $1.39bn in 1995, but fell $6m to $339m in the final quarter on lower volumes.

Cost-cutting led to an 18 per cent rise in downstream earnings for the year, to $1.1bn, and a 46 per cent rise in the final quarter, to $397m.

Profits from chemicals were $455m higher for the year, at $679m. In the final quarter, they rose $30m to $140m.

Amoco also registered a jump in chemical earnings, which nearly doubled to $1bn, and in profits from exploration and production, which rose 18 per cent to $1.1bn (both excluding special items). But downstream earnings slipped 36 per cent, to $308m.

US ENERGY GROUPS

	Full year				Latest quarter			
	Net income $m:		EPS $:		Net income $m:		EPS $:	
	1995	1994	1995	1994	1995	1994	1995	1994
Exxon	6,470	5,100	5.18	4.07	1,690	1,900	1.35	1.53
Mobil	2,376	1,079	5.87	2.57	775	523	1.93	1.28
Amoco	1,862	1,789	3.76	3.60	207	536	0.42	1.08
Ashland Oil			n/a*		87	35	1.16	0.50

*Not applicable: Ashland Oil results are for first quarter of fiscal year. Source: companies

Woolworth considering spin-off plan

By Richard Tomkins in New York

Woolworth, the troubled US retailer, yesterday acknowledged it was considering a spin-off of its athletic footwear and apparel division – nearly half the total business – after receiving a proposal from two former associates of Mr Carl Icahn, the US corporate raider.

It also warned that its fourth-quarter operating results for the period to January would be lower than last year, blaming weak consumer spending, more cut-price sales, and heavy snowstorms in the north-eastern US.

The spin-off proposal comes from Greenway Partners, a New York investment partnership set up by Mr Alfred Kingsley and Mr Gary Duberstein. Mr Kingsley was Mr Icahn's analyst and right-hand man for many years, and Mr Duberstein was Mr Icahn's general counsel.

In 1994, Greenway Partners proposed a plan to break up US Shoe, a US retailing group, into separate footwear, optical goods and women's clothing companies. The partnership later made big profits on its stake in the company when US Shoe was driven into a takeover by Luxottica, the Italian eye-wear group.

Greenway Partners is proposing that Woolworth should spin off its athletic footwear and apparel division to shareholders. This division comprises the domestic and international operations of Foot Locker, World Foot Locker, Lady Foot Locker, Kids Foot Locker, Athletic X-Press and Champs Sports stores.

In 1994, the last full year for which figures are available, this division was the most profitable in the group. It had operating profits of $210m on revenues of $3.52m, accounting for 42 per cent of Woolworth's total sales.

Greenway Partners' Mr Kingsley said yesterday that he did not wish to comment in detail on the spin-off proposal.

"Let's just say that our proposal is not necessarily related to the management of the company per se, but we feel it will help the company perform even better, and it will certainly enhance shareholder value," he said.

Mr Kingsley added that Greenway Partners was "a significant shareholder" in Woolworth, but declined to specify the size of its stake. Woolworth said it was evaluating the proposal and would respond to it "at the appropriate time".

Woolworth has suffered a long period of poor profitability and, in some quarters, heavy losses. Last year it brought in Mr Roger Farah, a highly regarded US retailer, as chairman and chief executive in an attempt to turn the company around, but Mr Farah has struggled to improve its performance in the face of tough conditions in US retailing.

First Interstate, Wells Fargo open talks

By Richard Waters

First Interstate, the embattled Los Angeles-based bank, yesterday started merger negotiations with Wells Fargo, a bank whose overtures it had previously rebuffed.

The move appeared to signal an acceptance that the bank's favoured option – a merger with First Bank System – was unlikely now to be completed.

First Interstate said that it had opened talks with Wells Fargo because it was "always mindful of our responsibilities to our shareholders, employees, customers and the numerous communities of which we are an integral part".

It added that there could be no assurance that a merger with the San Francisco bank would be completed, but said that it did not expect any offer to be for more than 0.667 shares in Wells that is currently on offer.

The about-turn amounts to an admission of failure by the First Interstate management team, led by Mr William Siart. It has rejected a number of takeover approaches from Wells Fargo in recent years, including one last autumn. At that stage, Wells took the unusual step of announcing its offer publicly, precipitating the first hostile bank bid in the US for nearly a decade.

First Bank, based in Minneapolis, reached agreement with First Interstate's board in November, with a deal that includes a $200m break-up fee should it not be completed.

Mr John Grundhofer, chairman of First Bank, said he was "disappointed" by the talks with Wells, but added that his bank remained committed to its own merger agreement.

The negotiations follow a ruling from the Securities and Exchange Commission which would undermine some of the financial benefits of the First Bank deal.

The regulatory body ruled that First Bank could not undertake any large-scale share repurchases in the two years following a merger with First Interstate, since this would contravene its use of a form of merger accounting known as pooling.

Without its planned share buy-backs, Wall Street analysts estimate that First Bank would achieve only a 13 per cent growth in earnings per share in 1997, compared with the 18 per cent advance predicted at the time the merger agreement was announced.

First Interstate's board has also come under increasing pressure as the value of Wells' offer as steadily climbed above First Bank's.

Yesterday lunchtime, Wells' offer put a value on First Interstate of $148.32 a share, compared to the $130.33 value of First Bank's bid.

Merrill rises to $303m in fourth term

By Maggie Urry in New York

The improving trading background for investment banks helped Merrill Lynch, the leading US firm, to increase fourth-quarter earnings. Even so, the rate of recovery has slowed from the first half of 1995.

The group's shares fell $⅛ to 54\frac{1}{16}$ in early trading yesterday. In common with other securities houses, Merrill's shares have fallen in recent weeks, and are more than $10 below their high of $64¾, reached in October last year.

In the final quarter, Merrill's earnings per share reached $1.49 on a fully-diluted basis, almost double the 75 cents earned in the same quarter of 1994, the low point of Merrill's earnings. Net income was up from $162m to $303m. However, fourth-quarter earnings were only 2 per cent higher than the third-quarter figure of $1.46.

For the year, earnings per share were ahead from $4.74 to $5.42 fully diluted, a rise of 14 per cent. Net income rose from $1.02bn to $1.1bn, still below the record $1.36bn achieved in 1993.

Merrill's broad spread of activities, its strong retail presence and high proportion of earnings from more stable activities, meant that its profits fell far less sharply than those of other securities firms in 1994. As a result, the rebound in profits is much less sharp.

Mr Daniel Tully, chairman and chief executive, said: "This consistency and stability of earnings have enabled us to continue to make prudent investments in the future of our global business, including the purchase of Smith New Court [the UK stockbroker] new ventures in Asia, Europe, Latin America and Africa."

In the fourth quarter net revenues rose 25 per cent to $2.61bn, with commission revenues up a third to $847m and investment banking revenues up 63 per cent to $370m, lifted by high levels of underwriting activity and mergers and acquisitions.

Merrill continued to lead the league tables for both debt and equity underwriting, increasing market shares both in the US and worldwide.

Compensation and benefits expenses rose 15 per cent in the final quarter "due to higher variable compensation related to business volume and profitability and the inclusion of Smith New Court", the firm said.

For the full year, net revenues rose 7 per cent to $10.3bn, with commissions up 9 per cent to $3.13bn and investment banking up 5 per cent to $1.31bn. Compensation costs rose 6 per cent to $5.27bn.

Assets in private client accounts at the year end were $703bn, a 24 per cent increase from the end of 1994.

Diamond Multimedia disappoints investors

By Lisa Bransten in New York

Diamond Multimedia, a leading US maker of hardware that enhances computers' graphic capabilities, learnt the hard way last week that investors do not like surprises.

Although the company reported 214 per cent revenue growth in the fourth quarter, investors slashed its market value by 32 per cent, or nearly $300m, last week after it disclosed it could not account for $3.7m in missing inventory, and fell short of earnings estimates by 4 cents a share.

Fourth-quarter profits were $13.1m, or 40 cents a share.

Mr Bill Schroeder, Diamond's chief executive, attributed some of the sell-off to the volatile atmosphere that has shaken much of the technology sector over the past quarter.

"It's a dicey environment; fear takes over from greed and there's a reaction," he says.

But Diamond also benefited from last year's enthusiasm for high-tech companies. It went public in April for $17 a share and rose to $43 a share by early December. At the end of last week it was back to $17⅞.

Mr Richard Shaffer, head of Technologic Partners, a technology research firm, says the market values of companies like Diamond probably got too high amid last year's technology craze, but have fallen too low this year.

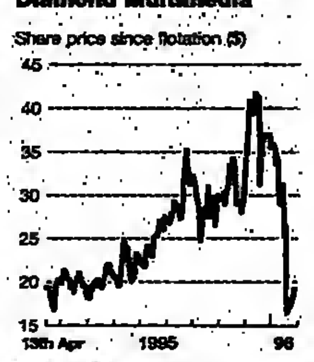
"The technology market is being driven by momentum investors," he says. "It is not primarily driven by investors who understand the category. It's a trading vehicle."

Analysts are mixed about Diamond's prospects.

Mr Robert Stone, of Cowen & Co, lowered his investment rating to "buy" from "strong buy" because he says the inventory problem and weaker gross margins clouded the strong fourth-quarter performance.

However, Mr Youssef Squali of Laidlaw Equities upgraded his investment rating after the price drop. He believes that Diamond's strategy of expanding in to Europe should help it maintain rapid growth.

Diamond Multimedia



Source: FT Extel

In November Diamond purchased a German competitor, Spea Software. It also bought a US modem maker and bid for another.

Mr Squali's worry is that the inventory loss may be a sign that Diamond is focusing too much on growth through acquisition and not enough on its core operations – a charge the chief executive disputes.

Mr Schroeder says the inventory loss may be due to the transition from a paper-based to a computer-based control system, which should prevent such problems in the future.

AMERICAS NEWS DIGEST

USAir recovers with $34.4m for year

USAir, the US airline in which British Airways holds a 24.6 per cent stake, yesterday reported a strong turnround in its fourth-quarter results, with net profits of $38.4m for the period to December compared with net losses of $342m last time. For the full year it made profits of $34.4m, compared with losses of $763m last time.

Mr John Harper, chief financial officer, said last year had been a good one for the airline industry as a whole "and certainly for USAir". However, he also said USAir's full potential could not be realised, nor its existence assured, unless the airline achieved a more competitive cost structure.

Yesterday marked the first day at work for USAir's new chairman and chief executive, Mr Stephen Wolf. He is expected to put USAir's cost structure at the top of his list of priorities, having presided over a big cost-cutting exercise at United Airlines, which he left in 1994.

Richard Tomkins, New York

American Brands declines

American Brands, the US consumer goods group that owns Gallaher, the UK's biggest cigarette company, reported a fall in fourth-quarter net income from $269.1m to $154.1m, but said underlying earnings per share from continuing operations rose by 9 per cent to 89 cents on a fully diluted basis. Full-year net income fell from $734.1m to $540.4m.

The fourth-quarter figures were distorted by a number of disposals including the $1bn sale of American Tobacco to BAT Industries of the UK at the end of 1994.

The tobacco business suffered a 3 per cent fall in operating profits to $154.8m, largely because UK government tax increases distorted trade buying in the comparable quarter. Operating profits from the distilled spirits operations tumbled by 32 per cent to $71.9m because of tough competition and restructuring.

Richard Tomkins

GE arm buys Boeing aircraft

GE Capital Aviation Services, a division of General Electric, ordered five Boeing 777s and placed orders and options for as many as 254 Boeing 737 airliners over several years. The value of the firm orders will be more than $4bn.

GE Capital Aviation said it had ordered five 777s, 20 current models of the 737, and 82 of the next generation of 737s now under development. It has also obtained options for 76 next-generation 737s and another 76 others.

AFX News, Connecticut

Harley to stick with motorcycles

Shares in Harley-Davidson, the US motorcycle manufacturer, jumped 13 per cent on news that the company is to abandon attempts at diversification. Harley said it would sell its Holiday Rambler division, which makes recreational vehicles, to Monaco Coach, a small Oregon bus manufacturer, for $50m. The business, which is barely profitable, had sales last year of about $290m.

In recent years, the company has enjoyed fast growth in demand for its motorcycles, which account for about 96 per cent of its profits. In the first 9 months of last year, shipments rose 9 per cent. The shares rose $3⅜ to $30¼ in early trading.

Tony Jackson, New York

Corning warns on first half

Corning, the diversified US manufacturer, reported a 13 per cent fall in net earnings before special charges in the fourth quarter to $83.5m, and warned of the possibility of lower profits in this year's first half.

Corning said the final quarter had been at the low end of its expectations, due to slippage of December sales into 1996. Mr James Houghton, chairman, said the company faced "difficult earnings comparisons" in this year's first half, because of continued difficulties in its consumer division and at Corning Clinical Labs.

For the full year, net earnings before special items were down 6 per cent at $1.49 per share. Corning's shares fell $¼ to $28⅜.

Tony Jackson

Borden to sell packaging arm

Borden, the US food group now controlled by Kohlberg KravisRoberts, plans to divest its worldwide plastic packaging business, which had sales of about $625m in 1995. Proceeds from the divestment will be used for general corporate purposes.

The plans include Borden's Resinite and Proponite flexible film operations in North America, flexible and rigid packaging materials businesses based in Europe and extending into the Middle East and Africa, as well as its flexible film operations in the Asia-Pacific region. The "relatively small" packaging businesses in South America would not be included in the sale.

Reuter, Ohio

Club Med expands in Cuba

Club Mediterranee, the French leisure and resort group that specialises in exotic holiday destinations, will open a new holiday village in Cuba this year at a $22m hotel being built by a Cuban tourist corporation at Varadero, east of Havana.

Club Med will run the "Varadero 1920" beach resort and will market it as part of its worldwide offer of all-inclusive holiday villages. Ownership of the hotel will remain in the hands of a Cuban hotel and tourism company, Gaviota, which is linked to the island'a armed forces.

Club Med's president, Mr Serge Trigano, said the deal had involved hard negotiations in which the Cubans had accepted a provision for about one third of the total hotel staff to be non-Cuban.

Pascal Fletcher, Havana

Chevron in deal with NGC

Chevron, the San Francisco-based oil group, plans to merge its US natural gas operations with those of NGC, in a move that is likely to make NGC the largest marketer of natural gas in North America.

Chevron will receive $300m in cash and notes as well as 45.8m shares in the expanded company. NGC's two big shareholders, British Gas and Nova, the Canadian gas company, will see their shareholdings diluted. Each currently owns about a third of NGC. Their shareholdings will fall to 23.6 to 25 per cent.

Robert Corzine, London

PUBLIC NOTICES

ROYAL BANK OF SCOTLAND plc
SECURITIES SERVICES REGISTRARS

ROYAL BANK OF SCOTLAND plc

announces that the results of the poll conducted at the

Extraordinary General Meeting of

Yorkshire Electricity Group plc

held on Friday 19 January 1996 at

Leeds Town Hall were as follows:

Extraordinary General Meeting Special Resolution –

Votes in favour 70,483,197

Votes against 331,485

The resolution was therefore carried by the requisite majority.

NEWS DIGEST

Randgold returns to hedging market

Randgold, the South African mining house, yesterday announced that it had returned to the forward sales market, which it left in 1994 when shareholders, angered by unprofitable hedging agreements, ousted the previous management. Randgold has decided to hedge a proportion of gold production at its marginal Harmony and East Rand Proprietary operations for a period of six months.

Mr Lionel Hewitt, chairman, said some shareholders would regard the return to hedging "as a backward step" but insisted that prospects for bullion remained bullish. The Harmony mine has committed 453kg monthly at a price of R47,432 ($13,010) a kg; East Rand has committed 90kg of gold a month at $397.50 per ounce.

The announcement came as Randgold announced poorer financial results at the mines. Harmony slid from an after-tax profit of R22.7m ($6.2m) to an after-tax loss of R16.5m, while East Rand Proprietary Mines reported a R3.9m profit, compared with R9.4m in the September quarter.

Mark Ashurst, Johannesburg

WMC in Cuban nickel deal

Plans by WMC, the large Australian mining group which shortened its name from Western Mining Corporation last year, to expand into the Cuban nickel market moved a step forward yesterday when the Melbourne-based company announced that it had signed detailed heads of agreement with Commercial Caribbean Nickel, a state-owned Cuban group, over the potential development of the Pinares de Mayari West deposit.

WMC, which announced in 1994 that it was teaming up with the Cuban organisation to evaluate the Pinares deposit, said the latest agreement meant that work could begin on the initial stage of the evaluation programme. The signing would also pave the way for contractual documentation to be finalised and the issue of the necessary Cuban government approvals.

The deposit lies in the east of the country, in Holguin province. It is a surface deposit, containing an estimated 200m tonnes of ore with a grade of more than 1 per cent contained nickel, and could be mined by open-cut methods.

The earlier joint venture terms indicated that WMC could earn a 65 per cent interest in Pinares by funding drilling and metallurgical test work, and a feasibility study.

■ Broken Hill Proprietary, the Australian resources group, said yesterday it had formally completed its A$3.2bn agreed takeover of Magma Copper of the US. The deal will make BHP the world's second largest copper producer.

Nikki Tait, Sydney

BankWest sale draws A$1.1bn

Bank of Scotland said yesterday that it had received 100,000 applications worth A$1.1bn (US$810m) for the 49 per cent interest in BankWest which it is selling off to the public.

Bank of Scotland acquired the Perth-based regional bank for A$900m last year from the state government, and agreed to sell down its 100 per cent interest through a public flotation as part of that initial purchase arrangement. The offer for sale opened on January 8, with the 213.5m shares being offered at A$2.05 each, or A$437.7m in total.

The heavy oversubscription means some BankWest customers' applications for shares will be scaled back, while general applicants based in Western Australia will go into a ballot. Around one in three will receive the minimum allocation of 1,000 shares. General applications sent in from the eastern states will not receive anything. *Nikki Tait*

Thai Airways to reshape fleet

Thai Airways International yesterday gave firm indications that it will restructure its fleet by announcing the sale of all six of its Boeing 747-200 aircraft to US-based Langdon Asset Management for $123m. Thai recently told analysts that it also planned to sell some of its Boeing 737-400 aircraft.

Thai has been bedevilled by a wide mix of aircraft and engine types acquired during the days of military interference that ended in 1992. Rationalising the fleet is the cornerstone of Thai's plans to catch up with the region's aviation leaders such as Cathay Pacific, the Hong Kong-based carrier, and Singapore Airlines.

The recently reshuffled board of directors is widely expected to unveil a development programme, including the purchase of new aircraft, within the next few weeks.

William Barnes, Bangkok

Thailand's finance sector goes universal

The announcement last week of an alliance between Finance One, Thailand's largest finance company, and Thai Dano Bank, the country's 12th largest bank, is already having repercussions among Thailand's other small and medium-sized family-controlled banks.

Suddenly they seem to have realised that, with Thailand quickly liberalising its financial sector and authorities pushing a "universal banking" concept, the days of comfortable and protected smallness are rapidly coming to an end.

Even before the ink had dried on the agreement whereby Finance One will purchase 20 per cent of Thai Dann

The days of comfortable and protected smallness are rapidly coming to an end, writes Ted Bardacke

and the two companies will jointly pursue the creation of a universal financial services conglomerate, First Bangkok City Bank and Nakornthon Bank both said they were negotiating to take on partners who will help them prepare for an uncertain future.

Bangkok Metropolitan Bank, controlled by the Tejapaibul family which is weighed down by heavy debts incurred in the loss-making Don Muang Tollway and the development of Bangkok's World Trade Centre, also said it was talking with an unnamed Hong Kong bank about purchasing a minority stake.

"Thai Danu's move is hugely significant," says a senior banker. "In the long term, small and medium-sized banks are not viable. The feeling is 'why don't we merge now and get it over with before the damage is too great.'"

The small banks are vulnerable because they are more dependent on the costly and volatile interbank market for their funding than their larger cousins with bigger deposit bases, and have often made up for lower interest margins by having a higher loans-to-deposit ratio. But Thailand's central bank, trying to lower credit growth to cool an overheating economy, has been insisting on lowering this ratio, thus precipitating a profits growth squeeze.

Increased competition is also on the horizon. Five new domestic banking licences will be awarded this year and the Bt7.5bn ($296.4m) initial capital requirements of the new banks will dwarf some of the smaller existing ones.

Mazda plans to streamline sales operations

By Michiyo Nakamoto in Tokyo

Mazda, the Japanese carmaker which is 24 per cent owned by Ford of the US, yesterday announced plans to streamline its domestic marketing and sales operations, including the scrapping of its stand-alone luxury car sales channel, Eunos.

Mazda said it would streamline its marketing operations by merging the Eunos dealership network with other sales channels, and cut the number of its dealership networks from four to three.

The reorganisation, which takes effect in April, will see the name of the Anfini sales channel changed to Mazda Anfini, while Eunos marque cars will be sold through *Mazda Anfini or Mazda outlets.*

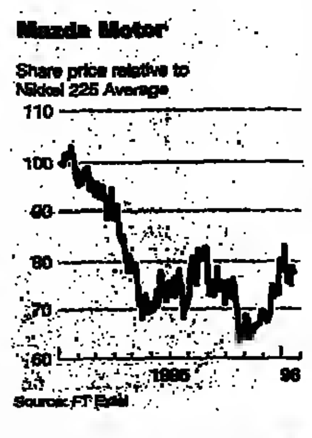
The changes are intended to enhance the Mazda image.

The move is symbolic of an ongoing change of strategy at Mazda, which has been forced by the economic downturn in Japan to abandon its ambitious expansion plans. That strategy had resulted in a bloated distribution structure and a proliferation of vehicle models.

In particular, it underlines the setback Mazda faced in expanding into the luxury car segment, where it has largely faltered in the face of Japan's economic slowdown, the strong yen, and greater competition from imports.

The changes were welcomed by analysts as a necessary step for Mazda in preparing for a return to profitability.

"The cost of consolidating the sales channels is not going to be easy for Mazda to meet, but in the long run it will raise their efficiency," noted Mr Takaki Nakanishi, industry analyst at Merrill Lynch in Tokyo.



Mazda, which in calendar 1995 suffered an estimated 22 per cent decline in production in Japan and a 6 per cent drop in domestic sales, is under pressure from shareholders to return to profitability.

The company made a recurring loss – before extraordinary items and tax – of Y35.5bn ($357.1m) in 1994-95 and one of Y44.1bn the previous year. It is expected to post an operating loss of about Y5bn in the current year to March and break even at the recurring profit level this year after asset sales, such as equity stakes in other companies. It is aiming to return to the black in the year to March 1997.

To that end, Mazda has been reversing its former strategy of expansion, under which it increased its sales networks to five channels and launched a wide range of models to fill its dealers' showrooms.

A plan in the early 1990s to enter the luxury car market in the US, with a second dealership dedicated to luxury models, was scrapped; production of luxury models, such as the Eunos Cosmo equipped with a rotary engine, has been abandoned; and one of its sales channels has been converted to a Ford network.

Analysts also noted the apparently strengthened influence of Ford on Mazda's corporate strategy. About 10 per cent of the existing Eunos outlets will become Ford outlets.

Mazda's emphasis on improving cash flow at a time when its domestic competitors are investing in new models, and its decision to consolidate its marketing operations, reflect US-style management, Mr Nakanishi of Merrill pointed out.

Slack demand prompts cuts at Japanese nuclear plant maker

By Emiko Terazono in Tokyo

Ishikawajima Harima Heavy Industries, a leading nuclear plant maker, said it would shift workers in its nuclear power plant division to other parts of the company because of sluggish demand.

The move comes as Japan's nuclear plant manufacturers are trying to cut costs, as demand for nuclear power plants has been declining amid rising anti-nuclear sentiment.

The leakage at Monju, the country's fast breeder reactor, in December is also likely to heighten opposition to the country's nuclear programme, prompting further streamlining at nuclear power plant makers. IHI said it would cut its nuclear power plant division workforce by 200 to 850.

Other companies, including Mitsubishi Heavy Industries and Hitachi, are also considering cost-cutting and downsizing of their nuclear technology divisions.

Mitsubishi says it has no orders for domestic nuclear power plants to follow the one it is building in Kyushu. Hitachi, meanwhile, will transfer its nuclear technology personnel to its semiconductor manufacturing operations, where demand is stable.

The Japanese government, which fears a decline in technological capabilities at the country's nuclear power plant makers, is planning ways for the companies to tap the lucrative nuclear market in Asia.

Power plant makers also claim that technological skills in building nuclear power plants cannot be maintained without putting it to practical use.

Japanese companies have been restricted from exporting nuclear power technology to Asian countries by a policy on the part of the Japanese government not to anter agreements with Asian countries.

However, draft proposals for a policy initiative which will allow Japanese companies to export nuclear power technology to countries including Indonesia, China and Taiwan, are expected to be drawn up within two years.

Niugini Mining sees early start at Lihir

By Nikki Tait in Sydney

Niugini Mining, e 17.15 per cent shareholder in the large A$1bn-plus (US$740m) Lihir goldmine project in Papua New Guinea, yesterday opened up the possibility that gold production there could start ahead of the scheduled date of December 1997.

In a quarterly report to the Australian Stock Exchange, the company said that Lihir Gold was examining the possibility of early processing of oxide ore, prior to the treatment of sulphide ore. If this was "deemed feasible, gold production could start five months earlier than planned on July 1 1997".

In the wake of last year's debt-raising and separate stock market flotation of Lihir Gold, "full-scale development of the...project is under wey", the company added.

Niugini estimated that by the end of the December quarter the engineering work at Lihir was 61.2 per cent complete, while construction was 9.5 per cent finished.

The Lihir resource, situated on one of the islands making up PNG's New Ireland province, is among the largest known undeveloped gold resources in the world.

Development plans had been held up by political problems in PNG and debate over the ownership structure of the mine, but these issues were resolved late last year.

INTERNATIONAL COMPANIES AND FINANCE

Currency factors mask solid sales growth at Nestlé

By Roderick Oram, Consumer Industries Editor

Nestlé, the world's largest foods group, yesterday unveiled a slight fall in 1995 sales, to SFr56.4bn ($47.bn) from SFr56.9bn a year earlier. Adverse currency factors masked underlying growth of 10 per cent for the year and markedly faster growth in sales volume in November and December.

Chairman Mr Helmut Maucher warned in November that trading profits could be lower in 1995 than a year earlier. Nestlé gave no further profit update yesterday, with full 1995 results due to be released in March.

Profits and sales should increase this year, Nestlé said, basing its forecast on "less unfavourable" exchange rates. It expected sales volume to grow faster.

Sales volume was up 3 per cent in the first 10 months of 1995, Nestlé had said in November.

In addition, acquisitions had added 2.6 per cent to sales and price increases, 4 per cent.

Volume growth rose to 3.4 per cent for the full year, at a slightly faster rate than some analysts had forecast.

However, on the negative side, currency factors became less favourable in the past few months than some had expected.

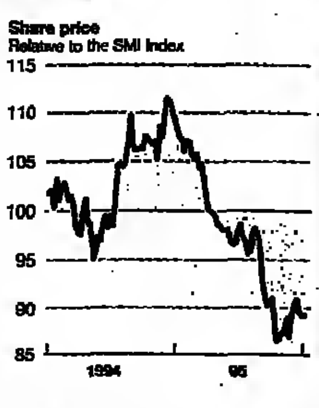
Volume growth was modest overall in Europe last year, but stronger in the US and above average in Latin America, Africa, the Middle East and Asia, Nestlé said.

As well as the currency factor, sales and profit figures were hit by a sharp rise in raw coffee prices early last year, which was followed by a sharp fall. Instant coffee remains one of Nestlé's largest and most profitable businesses.

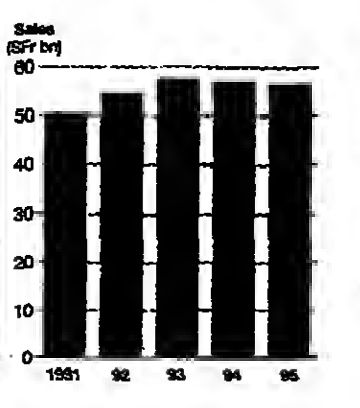
The operating profit margin of Nestlé's coffee business, which accounts for about half its beverage profits, probably dropped about 3 percentage points to about 14 per cent last year. However, it will recover by about 1½ points this year, analysts forecast. Beverage profits account for about 40 per cent of group operating profits.

Most analysts see Nestlé's earnings per share at between SFr70 and SFr73 for 1995, down from SFr83.1 in 1994, mostly because of the 10 per cent hit on translation of results into the strong Swiss franc. Typical forecasts for 1996 run from about SFr82 to SFr85.

Net profits for 1995 were likely to be around SFr2.8bn, down from SFr3.25bn a year earlier when there was a SFr308m extraordinary gain on the sale of the group's cosmetics distribution subsidiaries to L'Oréal, the French cosmetics group in which it has a stake.



Helmut Maucher



Pressure for compromise in Deutsche Post feud

The bank must resolve its differences with Postbank before privatisation, writes Michael Lindemann

The antipathy between Mr Klaus Zumwinkel, the head of German postal network Deutsche Post, and Mr Günter Schneider, his counterpart at Postbank, the postal savings bank, is well known.

However, soon they will again be forced to bring their companies to the negotiating table to hammer out an agreement clarifying the relationship between them.

Schroders, the UK investment bank which was asked by the German government to find a solution to the feuding between the two state-owned companies, has recommended that as a first step to securing their future – and their ultimate privatisation – the two should draw up a new co-operation agreement.

Bonn officials, even when choosing their words carefully, speak of the "ill-will" between the two men. That "ill-will" led to the breakdown of talks on the co-operation agreement last year, culminating in a hostile takeover bid last October.

Deutsche Post announced it wanted a 40 per cent stake in Postbank, arguing that it needed control over the more profitable bank and a say in how it developed the financial products it sells through Deutsche Post's post offices.

Not surprisingly, Mr Schneider was less than thrilled at the idea.

The subsequent battle between Deutsche Post and Postbank, both of which were until 1990 part of the federal civil service, has been further complicated by political considerations: both companies are still entirely state-owned, and Deutsche Post has a constitutional obligation to keep as many of its 15,000 post offices open as possible.

However, despite the friction, both groups remain heavily dependent on each other – Postbank because it runs its postal savings business through the post offices and Deutsche Post because it needs the savings bank business to improve its own profitability.

The co-operation agreement will also have important implications for the privatisation of both companies, which the government wants to sell by 2000 at the latest.

There is, however, another particularly pressing reason why the two sides have to reach a compromise. Mr Theo Waigel, the finance minister, has already pencilled into this year's budget receipts worth about DM3.1bn ($2.1bn) from the sale of Postbank stakes. And he seems determined to maximise his privatisation receipts, because his budget is fraying at the seams from the pressure of lower than expected tax receipts this year. Without a proper co-operation deal, Schroders and others argue, no buyers will be found for the Postbank stakes.

The timing of a sale is propitious. Postbank has achieved an impressive turnround over the past five years, helped by a range of new products for the 4.4m savings accounts it operates.

But although it can rely on elderly savers who have always banked with it and its nationwide network, competition among German high street banks is at unprecedented levels. According to Schroders, there is one bank for every 1,600 people, making Germany the most over-banked country in the European Union.

To safeguard the future of both companies, Schroders has recommended that the co-operation deal be renegotiated and that, after last year's tussle, new mechanisms are introduced to ensure it works.

Schroders wants the threat of penalties to be built into the talks to ensure that both sides reach an agreement by the end of February. And the deal should run for at least 10 years to provide a stable platform for future shareholders.

Instead of the 40 per cent stake that Deutsche Post wanted, the London-based bank has recommended that it be allowed to take a stake of between 15 and 20 per cent. This would give Deutsche Post a say in the running of Postbank, through the non-executive supervisory board, but prevent Postbank being controlled by its larger cousin.

As Schroders points out: "[Deutsche Post] cannot prove satisfactorily that it has the management capabilities to conduct Postbank activities in a generally more successful manner."

Meanwhile, to ensure Mr Waigel gets his money this year, the government is considering selling more than 50 per cent of Postbank to banks or institutions. These buyers will be allowed to hold the stakes until privatisation.

Postbank is insisting these stakes be sold to the three partners it announced last autumn: the BHW building society, the BHF bank and the Volksfürsorge insurance company.

But Deutsche Bank, Germany's largest bank, and other banks have already expressed an interest in taking Postbank stakes and holding them until privatisation.

The risk for Mr Waigel, officials point out, is that by selling now he may raise less money than by letting Postbank's business develop until 1998, the earliest date at which a Postbank privatisation is recommended by Schroders.

How the privatisation of Deutsche Post will go is unsure. The company reported a net loss last year of DM2.9bn – compared with Postbank's DM200m net profit – and it continues to have problems turning many of its post offices into profitable operations.

Nevertheless, Deutsche Post's privatisation prospects have improved now Postbank will be forced to conduct its more profitable banking operations through its post offices. Mr Schneider, on the other hand, will have the satisfaction of remaining largely independent of Deutsche Post – and Mr Zumwinkel.

Estimated value of Postbank* if...

(Value in DM bn)	Minimum	Maximum
...it is floated:	4.0	5.1
...a controlling stake attracted a 25 per cent premium:	5.0	6.4
...it is compared with other postal banks:	5.6	6.6
Net assets on 30/9/95:	7.8	7.8

*based on comparative listed banks. Source: Schroders

Postbank results

	90	91	92	93	94	95**
Net profit/loss: (DM m)	-409	-300	-346	-18	61	200
Total assets: (in DM bn)	76.4	77.8	78	86.4	93.4	100

**forecast; Source: Postbank

Günter Schneider: less than thrilled at takeover bid

EUROPEAN NEWS DIGEST

Bankinter strong despite 6% decline

Pre-tax profits at Bankinter, the highly capitalised Spanish bank, saw pre-tax profits decline last year, by 6.5 per cent to Pta21.9bn ($175.8m). It blamed lower net interest margin, reduced treasury income and an ambitious investment outlay. However, the fall was in line with forecasts, and Bankinter said it expected a profit recovery this year.

Bankinter, the biggest of the medium-sized domestic banks and a market leader in electronic and telephone banking, said its client banking business was up last year, and that it had gained market share across the board. Its loan portfolio grew 25 per cent to Pta726.3bn; half this growth was accounted for by home mortgages. Non-performing loans fell 35.2 per cent last year to Pta12.2bn, which represented 1.4 per cent of total loans.

Bankinter reduced its capital last year to reward its shareholders. It said it did not discount a similar move this year. With a return on equity of 15.62 per cent, and a return on assets of 1.13 per cent, Bankinter is judged by analysts to have one of the strongest balance sheets in the domestic sector.

Tom Burns, Madrid

Agroalimen in stake repurchase

Agroalimen, a family-controlled foods company based in Barcelona, has bought back a 40 per cent stake in Gallina Blanca, a leading domestic brand of instant soups and stock cubes, from Borden, the US food group. The Pta15bn repurchase, which involved paying six times Gallina Blanca's 1994 book value – and which values the company at Pta37.5bn – raised the group's equity in the company to 90 per cent.

Borden, which was taken over in 1994 by the Wall Street firm Kohlberg Kravis Roberts (KKR), had been one of Agroalimen's key partners since 1964, when it acquired a 50 per cent stake in Gallina Blanca. KKR, however, signalled it had no interest in the Spanish venture, although it will for the time being retain a 10 per cent stake in Gallina Blanca.

Agroalimen is among Spain's biggest private groups and posted consolidated sales of Pta130bn last year. It has joint venture deals with US multinationals, including one with Procter & Gamble that markets diapers and one with Ralston Purina in the animal food sector. Agroalimen is anxious to develop the soup and stock cube brand in emerging markets.

Tom Burns

OM Group climbs 12%

OM Group, the Swedish company which runs derivatives exchanges in London and Stockholm, yesterday reported a 12 per cent jump in 1995 pre-tax profits, from SKr332m to SKr373m ($55.5m). The advance was attributed to a sharp increase in net financial income, from SKr75m to SKr163m.

The group, the second largest equity options exchange in Europe, suffered a fall in operating income from SKr257m to SKr210m, which it blamed on lower revenues from its key exchange and clearing activities and the sale in December 1994 of OM Finans. That operation contributed SKr63m to operating income in 1994. OM, which owns 21 per cent of the Stockholm Stock Exchange, plans to lift its dividend from SKr5 a share to SKr7.

Christopher Brown-Humes, Stockholm

■ Securum, the state-owned Swedish company set up to liquidate the failed loans of Nordbanken, yesterday announced plans to sell Addum Industri, a construction and engineering conglomerate, in a SKr1.76bn deal. The buyer is Industri Kapital, a Swedish investment group. The sale, due to be completed in March, represents a further payback for the Swedish state, which injected SKr65bn into the Swedish banking system to keep it afloat amid a loan-loss crisis during the early 1990s.

Christopher Brown-Humes

Artsana buys French business

Artsana, the family-owned Italian group and leader in the country's baby accessories market, has strengthened its European presence by purchasing Prénatal from Pinault Printemps Redoute, the French retail group. Prénatal, which sells maternity and children's clothes through 343 outlets in five European countries, has an annual turnover of more than L630bn ($397.5m).

The controlling Catelli family did not disclose the deal's value. Artsana, which produces and sells sanitary products, maternity wear and baby clothes as well as accessories such as prams, had turnover of L1,800bn last year. The sale of Prénatal will enable the French group to reduce its L6,000bn net debt.

John Simkins, Milan

Eurocopter faces more cost cuts

Eurocopter, the joint venture between Aérospatiale and Daimler-Benz Aerospace (Dasa), needs to make another FFr800m ($158.5m) in savings from tighter purchasing policies and redundancies this year, it said yesterday. The group posted a slight rise in turnover in 1995, to FFr9.3bn, which it hoped to maintain this year.

Eurocopter, which lost FFr380m in 1994, kept its position as the world's leading exporter of civil helicopters with 40 per cent of the market last year. However, in the more important military market, it failed to win any of the five big contracts that made up 95 per cent of last year's military export orders. The company, 70 per cent held by Aérospatiale and 30 per cent by Dasa, appealed to the French and German governments to sign a firm production contract for its Tiger helicopter.

David Buchan, Paris

■ Philips Electronics is transferring the headquarters of its monitors business unit from the Netherlands to Taiwan. It said it had decided on the move because Asia was "the industrial centre for monitors and computer products". Philips Monitors, which also has production centres in Mexico, Hungary, China, Brazil and Italy, is the world's second largest supplier of monitors.

Reuter, Eindhoven

Investors dismayed by Polish bank plan

By Christopher Bobinski and Anthony Robinson in Warsaw

Tha Polisb government has come under fire for its plan to hand its 46 per cent treasury-owned stake in the listed Bank Przemyslowo Handlowy in Krakow to the state-owned Bank Handlowy. Ms Henryka Pieronkiewicz, the newly-appointed head of BPH, yesterday described the move as "harmful" to her bank.

The government initiative has also dismayed ING Bank of the Netherlands and the European Bank for Reconstruction and Development, which are hoth significant minority shareholders in BPH. They were not consulted about the move, which is seen by prospective investors in Polish banks as a test of the government's intentions.

The plan is part of the government's wider bank consolidation programme, designed to build two strong banking groups around Bank Handlowy and the PKO SA banks, before their privatisation.

This year should also see the sale of the state-owned Powszechny Bank Kredytowy in Warsaw, wbere the government says it is ready to offer np to 70 per cent to a singla strategic investor.

Ms Pieronkiewicz said yesterday she wanted to retain "at least" the "autonomy and the brand name" of BPH, making no secret of her bank's opposition to the plan.

Sha also noted that when BPH was privatised last year, the prospectus did not say that Bank Handlowy would he given a large staka.

"I think that those wbo bought shares then might well feel disappointed, not to say cheated, now," she said, hinting that there could be legal action from existing investors against the government if the plan went ahead without their epproval.

Recently, Mr Stan Szczurek, the head of ING in Warsaw, said he had not received any answers from the government to questions on its plans to hand the treasury stake over to Bank Handlowy. ING owns aboul 10 per cent of BPH.

Warring Sepap shareholders in talks

By Vincent Boland in Prague

The two main foreign shareholders in Sepap, the Czech paper group, have made the first moves to end the uncertainty that has hung over the company since they clashed at a sbareholder meeting last November.

Executives from Stratton, a US investment company, and AssiDomän, the Swedisb paper group, met in the Babamas early this month. It was their first meeting since Stratton bougbt into Sepap three months ago and wrested control from under the Swedish company's nose.

The meeting was held at the home of Mr Michael Dingman, the US millionaire who owns Stratton, and was attended by Mr Lennart Ahlgren, chairman of AssiDomän. Both sides said talks were continuing.

Stratton controls 51 per cenl of Sepap in an alliance with the Czech fund management group Harvard; AssiDomän owns 36 per cent. Last November, Stratton and Harvard secured total control of Sepap's management board at an extraordinary sharebolder meeting, throwing the Swedisb group's planned alliance with its Czech partner into confusion.

AssiDomän had boped to use its investment in Sepap to expand further in eastern Europe, and to take its stake above 50 per cent. Since the shareholder meeting it bas found itself frozen out of decision-making at the Czech company. Several strategic alliances it had put in place since buying its stake last summer have been left on hold.

AssiDomän said "discussions are going on in a positive atmosphere", adding that the Swedish group's aim was "to find solntions so that co-operation between AssiDomän and Sepap can be resumed".

Mr Daniel Arbess, Stratton's chief executive, said the talks with AssiDomän were "a natural development between two major shareholders".

Analysts have suggested the most obvious solution for AssiDomän would be to buy out Stratton's stake. The US company holds 25.87 per cent directly, while Harvard owns a further 25.09 per cent.

Stratton, bowever, has said its wants to remain a shareholder in Sepap. In alliance with Harvard, it also controls 36 per cent of Biocel, another Czech paper group, and says it may make further acquisitions in the pulp and paper sector in eastern Europe.

Now That We're Merging We Can Simply Do It From Across The Hall.

Left to right: Ed Miller, President –Chemical Banking Corp.
Michel Kruse, Vice Chairman/Global Financial Services –Chase Manhattan Corp.
Walter Shipley, Chairman/CEO –Chemical Banking Corp.
Tom Labrecque, Chairman/CEO –Chase Manhattan Corp.
Bill Harrison, Vice Chairman/Global Wholesale Banking –Chemical Banking Corp.

Chase and Chemical have long envied each other's capabilities. But through it all, there was one trait we both shared: exceptional client focus. That's why our agreed merger is more than just combining our capabilities. It's an integration of our abilities to deliver the best solutions. An integration of people and ideas. It's a leveraging of our leadership positions to identify new opportunities for your business. It's teamwork across all lines of business to solve your individual needs. Whether those needs are on the other side of the street, the other side of the country or the other side of the world.

CHASE CHEMICAL

INTERNATIONAL COMPANY NEWS: Crisis at Fokker

Fokker's suppliers in UK face job cuts

By Michael Skapinker and Bernard Gray in London, and John Murray Brown in Dublin

While Fokker's gloomy future is causing a crisis in the Netherlands, where final assembly jobs would be lost, and Germany, which will bear much of the financial brunt, many of the suppliers to the Dutch aircraft maker are British.

The UK may suffer significant job losses if Fokker's production line closes, and in some of the highest technology parts of the aircraft's systems. In spite of their reputation as produced in the Netherlands under German ownership, Fokker aircraft, as measured by the value of their components, are more British than anything else.

Manufacturers in the UK provide about 40 per cent of the components of the Fokker 70 and 100 jets, measured by ths value of the aircraft at the time of sale. Over the estimated 20-year life of the aircraft, the delivery of spare parts lifts the UK contribution to 46 per cent. Only about 30 per cent of the aircraft's components are Dutch and about 25 per cent are German.

The spread of British technology around the aircraft is startling, and British manufacturers supply some of the most important elements for Fokker's regional jets. The Tay engines for the twin-jet aircraft ere made by Rolle-Royce, which is based in Derby. The Fokkers' wings are manufactured by Short Brothers, the Belfast-based company which is owned by Bombardier of Canada. Dowty Aerospace, part of the TI group, makes the landing gear and other components.

Rolls-Royce said that while it did not regard Fokker's uncertain future as good news, the business accounted for a small proportion of the UK manufacturer's production. Rolls-Royce makee between 60 and 80 engines a year for Fokker aircraft, business which it values at about $150m.

Rolls-Royce said its Tay engine had traditionally gone to three aircraft manufacturers in roughly equal proportions. About a third are mounted on Gulfstream jets, a third on Fokker aircraft and the remainder go to United Parcel Service, the US courier service, which is replacing Pratt & Whitney engines on its Boeing 727s with Rolls-Royce Tay engines.

The UPS programme is coming to an end, which will leave the Tay engine evenly divided between Fokker and Gulfstream. Rolls-Royce said, however, that its range of engines was now wide enough to withstand the loss of the Fokker business.

A successor to the Tay is already being produced by BMW Rolls-Royce, the joint venture, which is providing engines for aircraft such as the McDonnell Douglas MD-95.

Rolls-Royce said there would be unlikely to be job losses as a result of the loss of the Fokker business.

Short Brothers, however, said it could not afford to be so sanguine. The company said Fokker's closnre would directly put at risk some 800 jobs. Shorts relies on Fokker for around 20 per cent to 30 per cent of activity in its civilian aircraft division.

"It's a very significant part of our business, but it's not going to close us down," the company said.

Shorts' relations with Fokker date from the 1960s when it designed and manufactured wings for the F28, and subsequently for the Fokker 70 and 100. However, the company now has contracts with Boeing, Rolls Royce, Lockheed, British Aerospace and Bombardier, its Canadian parent.

Much of the flight control system and cockpit avionics, however, are made by US companies. They are also likely to suffer if production of new aircraft ceases.

Ironically, Daimler-Benz, the Dutch group's majority owner, would also be hit if Fokker floundered.

The company is a big supplier to the Fokker – a fact that Dutch commentators argued was one of Fokker's problems, because of the German group's high cost base.

Daimler-Benz has said that were Fokker to close, it might cost as many as 1,500 German jobs.

Dasa, the group's aerospace subsidiary, has already announced its own plans for 8,800 redundancies in an effort to improve profitability.

However, while the closure of the Fokker line would undoubtedly be bad news for component suppliers, the supply of spares for existing aircraft is likely to generate significant income over the next decade, particularly for Rolls-Royce.

There may also be a silver lining for British companies if a pan-European company is formed to handle leasing of all second-hand regional aircraft. If such an organisation emerges from the collapse, it is likely to be based on British Aerospace's successful Asset Management Organisation, and is likely to be based in the UK.

Oversupply contributes to Dutch group's difficulties

The regional aircraft business is growing but there are too many manufacturers chasing the orders

That airlines are spoilt for choice when it comes to buying regional aircraft is one of the reasons behind Fokker's crisis. There are too many manufacturers chasing regional aircraft orders.

When British Airways recently decided to buy up to 60 regional jets, it drew up a list of five manufacturers it wanted to bid for tha business: Boeing, McDonnell Douglas, Airbus, British Aerospace and Fokker. There ere other respected regional aircraft manufacturers not on that list, such as Bombardier of Canada. Last year, BAe said it had identified 17 regional aircraft manufacturers worldwide.

This is not to say that regional air travel is not growing: the European Regional Airlines Association says its members carried 15 per cent more passengers in the first half of last year than in the same period in 1994. The liberalisation of the Buropean Union aviation market is creating opportunities for new regional aircraft services.

Many orders for regional aircraft last year cams from the regional subsidiaries of larger airlines. Abianova, part of Alitalia, last year ordered 15 Fokker 70s; Crossair, controlled by Swissair, ordered 12 regional jets from BAe; Sabena ordered 23 BAe aircraft.

But while the regional airline business has been expanding, carriers have had little difficulty using the large numbers of potential suppliers to drive down prices.

It was the realisation that overcapacity was ruining the business that led BAe, Aérospatiale of France and Alenia of Italy to announce the creation last year of a regional aircraft joint ventura, Aero International Regional (Air). While the Toulouse-based joint venture will initially only pool its sales and marketing forces, it will also study joint production of future models.

There was some bitterness at Daimler-Benz Aerospace (Dasa) that Fokker had been excluded from the venture. The Air partners, particularly Aérospatiale, said the door was not closed to Fokker. Some in the venture made it clear, however, that they could not afford to link up with Fokker while the Dutch company had such high costs and severe financial problems.

An attempt by the Air partners and Dasa to make a joint bid to build a new 100-seat jet with China and South Korea fell apart when Dasa tried to insist that final assembly should take place in Europe as well as Asia. The Air partners believed there was little chance of the Chinese and Koreans accepting this.

Sir Michael Bishop, chairman of British Midland, which has seven Fokker aircraft in its fleet and two more due for delivery this year, said yesterday he hoped other manufacturers could save some of the Fokker business.

> While the potential elimination of Fokker is seen as generally good news for other regional aircraft makers, the situation does raise problems

He said UK companies had a strong interest in doing so, as several were Fokker suppliers. Companies in the UK were also unconstrained by what he saw as Fokker's two most severe problems: an overvalued currency and over-restrictive Dutch labour laws.

Rolls-Royce of the UK, however, which supplies the Fokker engines, said it would not be a part of any consortium to buy parts of the Dutch manufacturer's buslneas. Rolls-Royce said it was a supplier of engines to many aircraft makers and believed it was important to remain independent of airframe manufacturing programmes.

Bombardier, which owns Short Brothers, the Belfast-based manufacturer of the Fokkers' wings, also said it was unlikely to be interested in buying any of the business. "We are monitoring the situation carefully, but we don't see any opportunity for us," the company said.

The most immediate beneficiary of the Fokker crisis seemed likely to be BAe, the only jet manufacturer in the Air consortium. BAe declined to comment yesterday beyond eaying it had repeatedly warned of overcapacity among European manufacturers.

However, while the potential elimination of Fokker is being seen as generally good news for other regional aircraft makers, particularly BAe, the situation does raise problems.

If Fokker goes into receivership, the value of its aircraft on the second hand market is likely to fall sharply, hitting the lease prices which other manufacturers can command. Even if Fokker ceases to make new aircraft, its existing jets may blight the regional jet market for more than a decade, particularly if its receivers try to place aircraft at fire-sale prices.

BAe itself is reasonably protected from such pricing in the medium term, having placed most of its leased BAe 146 jets on good terms through its Asset Management Organisation in the past three years. Nevertheless, Fokker's distress is likely to add to market instability, rsther than resolve oversupply, in the short term.

European and US manufacturers will also fear that Asian suppliers attempting to enter the regional jet market could try to pnrchase Fokker'a assets cheaply.

Such fears raise the prospect that if a European consortium does not emerge to rescue Fokker, there might be an attempt at least to control the way the company is broken up. Some in the industry believe this could take the form of a single European leasing organisation to market second-hand regional aircraft.

Michael Skapinker and Bernard Gray

Schrempp's 'baby' falls victim to the changing culture at Daimler-Benz

By Wolfgang Münchau in Stuttgart

In only eight months as chairman of Daimler-Benz, Mr Jürgen Schrempp has dismantled one business unit, initiated mass redundancies at another and ended Daimler's jinxed liaison with Fokker, its Dutch regionai aircraft subsidiary.

As one insider put it: "He was hired to give the company a new direction, and it looks like he is now doing precisely that."

It is the biggest hatchet job in German corporate history, at a cost to match. At a projected loss of about DM6bn ($4bn), Daimler-Benz will have suffered the worst loss ever incurred by a a German company, excluding bankruptcy or fraud. Not many companies could bave afforded such losses without going bankrupt.

On a personal level, yesterday's decision by the supervisory board of Daimler-Benz to end financial support for Fokker could be viewed as a setback.

After all, it was Mr Schrempp himself, as chairman of Dasa, Daimler-Benz'e aerospace unit, who bought Fokker in early 1993 – against the advice of several coileagues. He called Fokker his "baby", arguing it would play a central role in his plan to turn Dasa into Europe's premier aerospace group.

At yesterday's news conference, Mr Schrempp was contrite. He admitted having made mistakes, having misjudged the market and the dollar/D-Mark exchange rate. "If we call ourselves businessmen, we make mistakes. Otherwise we do not deserve the epithet of businessmen," he said, his confidence seemingly intact.

But paradoxically, despite Mr Schrempp's personal involvement in Fokker, Daimler-Benz's withdrawal from the troubled Dutch aircraft group, will strengthen his position.

Yesterday's events at Daimler-Benz were an exercise in accounting for the damage that arose during the chairmanship of Mr Edzard Reuter, who retired last May. Under Mr Reuter's leadership, Daimler-Benz emerged from being an excellent car and truck maker to a sprawling industrial conglomerate.

True, Mr Schrempp was part of the Reuter generation. He, too, carried the vision of the integrated technology concern. Like his "baby", he dropped that vision when he became chairman of Daimler-Benz. All this was driven by mounting pressure from Daimler-Benz shareholders – notably Deutsche Bank, which owns about one-quarter of the company – who wanted vision replaced with profits. One small shareholder, who has made a name for himself for disrupting shareholder meetings, once famously called Mr Edzard Reuter "the biggest destroyer of capital" in the history of the Federal Republic, an epithet that stuck.

However, tha move demonstrates Mr Schrempp's determination to replace the old vision with a set of corporate goals not dissimilar from those of a tough Anglo-Saxon conglomerate.

Daimler-Benz now insists each of the 35 divisions achieve a 12 per cent return on equity. Divisions that do not meet the criteria, and have no chance of meeting them in the foreseeable future, are to be sold or closed. Daimler-Benz is on the way to becoming a more profitable though smaller company. Profitability rather than size should win the shareholder plaudits.

Casualty of a tightening public purse

By Ronald van de Krol in Amsterdam

If the Dutch have been shocked at Deimler-Benz's new steely approach, the German company has also been astoniehed at the Dutch government's reluctance to invest in Fokker.

After all, the demise of Fokker as an integrated aircraft builder will rob the Netherlands of one of its best-known industrial names and probably set in motion the biggest mass redundancies in Dutch corporate history.

In the past, the government has been quick to step in and rescue Fokker. . This time, when the government proved unwilling to pump in large amounts of new money, Daimler-Benz axpected the authorities would yield to domestic pressure to save the group's 7,800 jobs.

Government ministers have expressed sadness at Fokker's plight. But Mr Wim Kok, the prime minister, and Mr Hans Wijers, a former management coosultant who is now economic affairs minister, held firm, even though Mr Wijers admitted Fokker's existance was in doubt.

The government had sold a controlling stake to the Germans in 1993 precisely so that Fokker could in future rely on private-sector, rather than public money.

This time, it decided it could not afford to commit more money without a guarantee of the company's long-term success. Dasa's demand for the government to inject Fl 3bn ($1.8bn) of new capital into Fokker was deemed "extravagant", said Mr Wijers. That was particularly true given that the state owned only 11.5 per cent of Fokker's shares.

The government has proved willing to risk the wrath of the unions. The Christian Industrial Union (CNV) blamed both the government and Daimler-Benz for not doing enough to save Fokker. "The government has hacked off a leg of its own industrial policy," it said.

Moreover, there is some irony that Mr Kok, a Labour politician and former trades union leader, resisted pleas for public money, while his predecessor, Mr Ruud Lubbers, a conservative Christian Democrat and scion of a Rotterdam industrial family, hed helped rescue Daf, the Dutch truck maker, just three years before.

The difference is that Fokker's workforce bad already been halved by four separate reorganisations in es many years, and the outlook was not sufficiently bright to warrant more money.

The decision will undoubtedly continue to cause domestic indignation. Mr Ben van Schaik, Fokker's management-board chairman, said he was angry Fokker's future had been thrown away just as the aviation market was recovering and the doilar was strengthening.

The dollar's weakness had been one of Fokker's biggest problems in selling aircraft at a profit. "We were in sight of the harbour but a hole has been blown through our bow," he said of the lack of financial support.

But if the government can continue to withstand domestic criticism, it will win the markets' admiration thet it is no longer willing to throw taxpayers' good money after bad. That will not prevent sadness at the demise of a 77-year old company, the world's oldest aircraft maker still manufacturing.

Fokker 100s under construction at the Amsterdam plant

Danka seeks £100m in ADS placing

By Geoff Dyer

Danka Business Systems, the highly acquisitive office equipment group, plans to raise about £100m ($154m) from a placing to reduce its heavy debt burden.

The group intends to issue 18m shares, largely in the form of American Depositary shares (ADS), and the underwriters have an option to acquire a further 2.6m shares.

At the 598p closing price on January 19 – the last working day before the plans were disclosed – the group would raise between £91m and £105.5m from the placing. The shares dropped 23p to 578p yesterday on the news.

The proceeds will be used to reduce debts built up from the over £190m of acquisitions the group has made in the last 18 months.

After the £109m October purchase of Infotec, the Netherlands-based photocopier and fax machine distributor, net borrowings rose to £275m, including convertible subordinated loan notes.

These borrowings compare to the negative net assets of £8.8m the group had at the end of September, due to the large amount of goodwill written off after acquisitions.

Danka said the weakness of the balance sheet was not a problem because interest cover, which was over six times at the interim stage, was comfortable. Mr Mark Vaughan-Lee, chairman, said that US investors, who hold 80 per cent of the shares, were relaxed about the balance sheet because under US accounting rules goodwill was written off against the profit and loss account, rather than against shareholders funds, as in the UK. The high proportion of US shareholders was the reason for choosing to issue ADSs, but the group would encourage European institutions to subscribe.

The placing would begin in about three weeks time, with the offer price decided using a book-building method.

Danka also announced that three directors would be selling 1.5m shares. Mr Daniel Doyle, chief executive, plans to sell 1.2m shares which at yesterday's closing price would be worth £6.9m.

Shares fall 38p to 580p on full-year profits warning

John Menzies halved to £3.8m

By Peter Pearse

Shares in John Menzies fell 38p to 580p yesterday, as the wholesale and retail group revealed that full-year pre-tax profits would fall below last year's after a first-half decrease.

Analysts, who have been cutting their forecasts over several months, are now expecting £33m-£35m for the full year, down from £38.1m.

Menzies' pre-tax profits almost halved to £3.8m (£7.3m) in the six months to October 28, on turnover 9 per cent up at £628.4m.

The company said second-half profits would be "comparable" to the £30.8m made in the same period of last year.

It blamed continued confusion in the news distribution market and "a retail consumer market which remains weak".

However, while the interim dividend of 4.8p is uncovered by earnings of 3p (7.6p), it represents a rise of 4.4 per cent – signalling the group's long-term confidence.

The distribution division lifted sales 9 per cent to £479.1m – helped by an exclusive contract with Nintendo – but profits declined to £10.8m (£13.6m).

The now deregulated news wholesale market has suffered in the wake of referrals to the Monopolies and Mergers Commission, and revised contracts with publishers, particularly News International.

Mr David Mackay, managing director wholesale, said the resultant margin squeeze had robbed the industry of £20m-£25m of profits and Menzies of £4m. The newspaper price war had not helped, he added.

However, the group had lifted market share by 4.5 per cent, as the UK news wholesale map has been redrawn to reduce overlaps and costs.

In March, the group spent £34.9m on a 37 per cent stake in Funsoft, a German distributor of multimedia software. It intends to exercise its option on another 14 per cent to give it control. Profits were hit by a "dearth of new titles", said Mr Ranald Noel-Paton, group managing director.

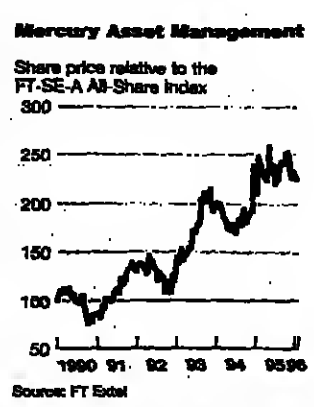
The retailing division made losses of £5.6m (£5.8m) on turnover of £185.1m (£172.7m).

While Early Learning Centre faced a 3 per cent downturn in year toy market and suffered a 4 per cent decline itself, J M Retail's sales rise offset this, to 19.

Ranald Noel-Paton: shortage of new multimedia titles hits profits

LEX COMMENT

Corporate governance



Much nonsense is talked about Britain's fund managers. Has Mercury Asset Management's Ms Carol Galley, for instance, had too much influence over Forte's fate? In reality, since MAM has big stakes in both Forte and Granada, it was in an ideal position to take a decision. It had no choice but to consider the takeover from both sides. If it gets the decision wrong, it will damage its performance and its reputation. And since its stakes would not be easy to sell, it could not afford to take a narrow, short term view.

The worry for shareholders is not that MAM and its ilk are too powerful; it is that they do not wield their power enough. Forte is a case in point. Under pressure from a hostile takeover, it produced a flurry of deals designed to enhance shareholder value. That it did not do so earlier suggests that its shareholders should have been putting on more pressure.

Shareholders' options are limited. It is difficult to change a chief executive where he is also chairman, as was the case with Forte – unless shareholders are willing to fight a big public battle. The bigger challenge for corporate governance gurus is to encourage shareholders to fight for their own interests – in public if necessary – rather than take the easy option and sell out. Fund managers with big, difficult-to-sell stakes are actually their best hope.

Forte's fate rests in Mercury's hand

By Scheherazade Daneshkhu and David Blackwell

The fate of Forte hung in the balance last night amid expectation that Mercury Asset Management, its largest shareholder with a 14.1 per cent stake, would announce this morning that it was backing Granada's £3.9bn hostile bid.

MAM, which reached a decision yesterday, is likely to be pivotal to the outcome of the bid, which reaches its final close at 1pm today. It also has a similar-sized stake in Granada.

The tide of institutional support seemed to be flowing strongly in Granada's favour yesterday, as two of the hotel company's larger institutional shareholders said they would back Granada, the TV and leisure company.

Robert Fleming, which holds just over 3 per cent of Forte said yesterday that it believed Granada's offer valued Forte fairly.

Standard Life has 2.27pc in Forte and 2.78pc in Granada. Mr Graham Wood, head of UK equities said: "We believe that ultimately Granada management will be able to extract better returns than the Forte management."

Most City analysts have recommended that Forte shareholders accept Granada's offer and are convinced that MAM will support Granada.

MAM yesterday met Whitbread, which will buy Forte's roadside restaurants businesses and the Travelodge budget hotels for £1.05bn if Forte remains an independent company.

Granada shares rose 2p to close at 696p, valuing its cash and shares offer at 387.6p per Forte share, excluding tax credits. There is an alternative cash offer of 362p, but Forte shares closed 3p lower at 373p.

Bakyrchik fears two years of losses

By Kenneth Gooding, Mining Correspondent

Bakyrchik Gold, the London-listed company with a joint venture gold project in Kazakhstan, faces up to two more years of losses and heavy expenditure, according to co-chairman Mr Robert Friedland.

The company's new business plan, presented to investors and analysts, suggests losses will be about $25m over the next 18 months to two years.

Bakyrchik's last financial report showed a loss of $8.88m for the half-year to September 30.

Mr Gordon Toll, who recently joined the board as technical director, said the business plan also included expenditure of $10m on underground development at the Kazakhstan mine; $10m on new projects and increasing Bakyrchik's share of the mining complex; $6m on exploration and $4m on a "bankable" feasibility study for expansion of the mine. Another $10m might be spent on a project to process oxidised ore.

Mr Friedland and Mr Johannes Kotjo, an Indonesian businessman, came to Bakyrchik's rescue in October when the company was in danger of running out of cash following serious technical problems in ore processing. With two associates they subscribed for shares worth £11.4m and now have 19.3 per cent of the enlarged capital.

Mr Friedland said that his investment and Bakyrchik's spending plans were worthwhile because of the scale of the resource in Kazakhstan, and because Bakyrchik had the potential to become a producer of 2m troy ounces of gold a year by 2000.

Mr Friedland said his group was ready to provide more money for Bakyrchik.

De La Rue sells Hong Kong plant

By Peggy Hollinger

De La Rue, the specialist printer which issued two profits warnings last year, is selling its banknote manufacturing plant in Hong Kong to the colony's government for £21.9m ($34m).

Mr Jeremy Marshall, chief executive, said the decision to sell had been taken after an approach from the Hong Kong Monetary Authority and in light of future earnings prospects. "It was a mutually beneficial arrangement," he said.

Banknote printing in Hong Kong was expected to suffer a slowdown in the near future for two reasons, Mr Marshall said. The government had already begun to coin the lowest denominations and some of the largest banks had started to build up stocks of banknotes after a recent run on the currency.

The division was highly profitable, reporting pre-tax profits of HK$110m (£9.42m) on sales of HK$255m last year to March 31. Net assets were HK$77.8m. However, Mr Marshall said that due to the expected slowdown, the prospective earnings stream would have been much lower.

De La Rue will retain the plant's export business, about 45 per cent of revenues and profits. This business would be transferred to the main south-east Asian plant in Singapore, helping to reduce De La Rue's fixed costs.

DIGEST

Visual Action plans flotation

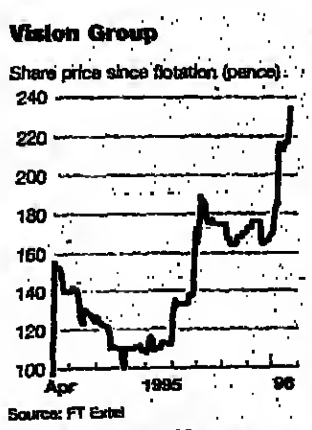
Visual Action, which hires out equipment for film and television production and audio-visual presentations, plans to float, probably by the end of March. At least 75 per cent of the shares will be floated, though this could rise depending on demand. Visual Action hopes to be valued at £60m ($92m).

The flotation will enable Eagle Trust, the seller, to repay most of the £67m it owes its banks, which have been keeping it going since 1989.

It will also allow Visual Action, the renamed Samuelson Group, to progress, unshackled from its parent, which in 1995 – with Samuelson as its only operating subsidiary – made pre-tax profits of £1.08m, its first surplus since 1987. Eagle Trust's bankers have allowed some £45m from cash flow to be reinvested over the past three years. This re-equipping should be complete by the end of 1996.

By division, film accounted for half of the group's 1994 turnover of £67.9m (£63.9m), audio-visual 30 per cent, and outside broadcast/TV 20 per cent. Pre-tax profits leapt from £2.85m to £8.25m after a £1.61m profit from the sale of the lighting businesses. Samuelson, having built its reputation in the heyday of British films, expanded as US film-makers began to cross the Atlantic to make films. *Peter Pearse*

Vision's video camera for kids



Vision, the Edinburgh-based electronic imaging company, has linked up with Tyco Matchbox, one of the world's largest toy manufacturers, to develop a video camera designed specifically for the children's market. The Tyco "VideoCam" is designed to be lightweight, robust and simple to operate and aimed at children aged between 6 and 12 years old. It will provide black and white video pictures, which will be relayed direct into a television via a standard VCR player. Mr Christopher Campbell, vice president of marketing at Tyco, said the video camera would be "one of our major launches in 1996". Vision's shares jumped 20p to 237p yesterday. *Gary Evans*

Alpha takes Sri Lankan stake

Alpha Airports Group, the airline services company, is buying a 60 per cent stake in Orient Lanka, the airport duty free operator based at Bandaranaike International Airport, Sri Lanka, from the Sri Lankan government. Alpha is paying Rs 1bn (£12m) for its stake and also has a call option – exercisable within the third year post completion – to acquire the remaining Orient Lanka shares, after distribution of no more than 10 per cent of the company to existing employees.

Sun Life bucks life trend

Sun Life of Canada bucked the difficulties of the UK life and pensions market last year with a 41 per cent increase to £285m ($439m) in new premiums and investments. The company's British office said it took in £140.7m of new single premium life and health business, up 34 per cent from 1994, and £31.5m of new regular premiums, up 6 per cent. *George Graham*

Clubhaus shares priced at 7.5p

The placing price of Clubhaus, the golf-related company being demerged from Ex-Lands, was yesterday set at 7.5p a share, giving it a value of £18.4m ($28m).

In November Ex-Lands announced its intention to demerge its property and leisure activities into two separate quoted companies. Clubhaus, which will hold the leisure operations, plans to raise up to £5m through the placing and open offer. The proceeds will repay a £1.5m loan from Ex-Lands for the purchase of Duke's Dene, the London golf course, provide additional working capital and funds for growth.

Dealings are expected to start on February 14.

Ashley Ashwood

John Goodwin, chairman, building portfolio of brands

Macallan stake for Highland

By Roderick Oram, Consumer Industries Editor

Highland Distilleries, producer of Famous Grouse Scotch whisky, has bought back into Macallan-Glenlivet, the malt whisky company whose shares it sold five years ago. It paid £46.6m ($72m) for a 26 per cent stake from Rémy Cointreau, the French drinks group struggling to reduce its debt. In 1990, Rémy paid Highland £31.4m for its 12.7 per cent holding in Macallan.

Analysts said Highland had paid a full price for its purchase from a company in which it has a 30 per cent stake. Highland had originally used the sale of Macallan shares as partial payment for the stake it took in Rémy through shares and convertible bonds. Rémy in turn took 10 per cent of Highland.

Yesterday's deal does not affect these cross shareholdings. The two companies have close trading relations. Rémy, famous for its cognac and Krug Champagne, distributes Famous Grouse in many important markets.

"This helps get Rémy out of a tricky spot... it's a little bit cozy," one analyst said.

Buying back into Macallan will help Highland "build a small portfolio of premium spirits brands alongside Famous Grouse", said Mr Brian Ivory, chief executive. Highland is also a large buyer of malt whisky from Macallan, the third largest Scottish distiller, to use in its blends.

Highland paid 152.5p per Macallan share, compared with a stock market close yesterday of 160p, down 18p on the day. Analysts said the price was steep at about 35 times Macallan's 1995/96 profits and it would dilute Highland's earnings by at least 2 per cent in the current year.

"It is a relatively high price," Mr Ivory said, but Highland expected Macallan's profits to grow.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abacus Recruitment ♦	6 mths to Dec 31	2.89	(2.09)	0.11	(0.048L)	8.8	(1.1L)	-	-	-	-	-
Anglesey Mining	6 mths to Sept 30	-	(-)	0.034L	(0.043L)	0.1L	(0.1L)	-	-	-	-	-
Croes ♦	Yr to Sept 29	4.27	(3.77)	1.42L	(0.78L)	168L	(90L)	-	-	-	-	-
Heritage Bathrooms	6 mths to Nov 30	7.35	(6.14)	1.21	(1.02)	5.3	(4.4)	-	-	-	-	-
London Scot Bank	53 wks to Oct 31	-	(-)	8.04	(6.27)	9.7	(7.6)	3.55	Mar 14	2.9	5	4.1
Menzies (John)	6 mths to Oct 28	628.4	(575.4)	3.8	(7.3)	3	(7.6)	4.8	Apr 1	4.6	-	13.2
Seville Gordon (J)	6 mths to Oct 31	17.9	(18.7)	2.84	(3.11)	1.88	(2.06)	1.1	Apr 9	1.1	-	3

Investment Trusts		NAV (p)		Attributable earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Enterprise	6 mths to Dec 31 ★	253.3	(234.2♦)	0.15	(0.143)	3.59	(3.19)	1.25	Apr 8	1.25	-	4
GT Japan	6 mths to Dec 31	242.4	(249.8)	0.253	(0.306)	0.41	(0.49)	0.4	Feb 29	0.4	-	1.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦Alm stock. ★Comparatives restated. ♦At June 30.

LAW

Clause precludes tax increase

EUROPEAN COURT

In a recent decision the European Court of Justice ruled that while the General Agreement on Tariffs and Trade does not contain any provisions which individuals may rely on in their national courts, the Lomé Convention may.

The case concerned a dispute between Chiquita Italia, an Italian banana importer, and the Italian tax euthorities. It was the latest in a series of cases concerning the banana tax introduced in 1964 and since increased several times.

The tax has now been abolished, but in this case the Trieste district court bed to decide whether Chiquite should pey tax on bananas imported from Columbia, Honduras and St Lucia. This raised the question of whether the tax was contrary to European law.

The Italian court took the view that the case depended on whether the relevant provisions of Gatt and the Lomé Convention were directly effective under European law.

Both trade agreements have been entered into by all EU member states and the Lomé Convention seeks to promote economic, cultural and social development of the African, Caribbean and Pacific states. The Italian court referred two questions to the European Court.

The Trieste court questioned first whether Gatt and the Lomé Convention contained any provisions which conferred rights on individuals which they could enforce in national courts in order to challenge the application of conflicting national provisions.

The court pointed out that in earlier cases it had consistently ruled that the question of the direct effect of provisions contained in an agreement concluded by the EU with non-member countries invariably involved an examination of the spirit, general scheme and terms of that agreement.

The court stressed that Gatt is characterised by the greet flexibility of its provisions and therefore concluded that ite provisions do not confer direct effect.

Having determined that it was the fourth and most recent Lomé Convention which applied, the court then considered whether provisions of that agreement were capable of conferring direct effect.

It observed that all of the Lomé conventions were characterised by a significant imbalance in the level of obligations undertaken by the contracting parties, but referred to earlier case law in which it had concluded that this imbalance did not prevent recognition by the EU that some of the provisions had direct effect.

The court therefore concluded that the Fourth Lomé Convention may contain provisions which confer rights on individuals which they may invoke before the national courts.

The Trieste court also sought to establish whether provisions of Gatt or Fourth Lomé Convention prohibited the Italian banana tax, which applied to prodncts imported from non-EU countries which were parties to those conventions.

Given the court'e finding that Gatt could not have direct effect, it answered this second question only with respect to the Lomé Convention.

The court rejected the arguments of Chiquita that the convention must be read as containing specific provisions relating to internal taxation.

However the court was persuaded by Chiquita's argument on a so-called standstill clause in the convention which provided that no banana exporting state should be pleced, as regards access to markets, in a less favourable situation than in the past or at present.

The court concluded that this clause was worded in clear, precise and unconditional terms, and consequently that individuals could rely directly on it. The standstill clanse was therefore directly effective under European law and precluded increases in a tax such as had occurred in this case.

C-469/93: Amministrazione delle Finanze dello Stato v Chiquita Italia, ECJ 6CH, December 12 1995.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Carrington goes for gold

A decade ago, American Barrick was e little-known north American gold producer with e motley collection of mines. Todey the company, renamed Barrick Gold, is the biggest producer outside South Africa, with mines and exploration sites stretching from Chile to China.

The transformation is underlined by e management shuffle, the centrepiece of which is the elevation of John Carrington to chief operating officer. Carrington takes over day-to-day operations from Bob Smith, the crusty miner who has guided Barrick through its formative years but is now nearing retirement.

Carrington and Smith are both plain-speaking mining engineers. But Carrington, 52, is more steeped in management. Prior to arriving et Barrick last year, he was chief executive of the mining arm of Noranda, the Toronto-based resources group. While Smith is renowned for his economy of language, Carrington collects dictionaries.

Other management changes are designed to add muscle to Barrick's expansion drive. Alan Hill, a Barrick veteran, takes charge of exploration and new mine ventures. Neil MacLachlan, who has an investment banking background, will look after Barrick's growing stable of investments in other mining companies. *Bernard Simon*

Varig changes pilot

Latin America's biggest airline, Varig, has its second new chief executive in nine months. Fernando Pinto, formerly bead of the company's domestic subsidiary, Rio-Sul, has replaced Carlos Engels.

Industry observers say Engels made little mark as chief executive. He took the job in April 1995 after tha company accumulated debts of more than $2bn and continued a restructuring programme begun earlier. But the airline made little beadway in e market which grew by ebout 8 per cent last year.

Varig hopes Pinto will be the man to take the company forward. He joined in 1972 and became president of Rio-Sul in 1992. He revitalised a moribund operation and turned it into one of Brazil's fastest-growing and most profitable regional airlines, trailing only TAM, the energetic industry leader.

But Varig still faces financial difficulties and observers say it may need to raise more capital to overcome them. The company also faces tougher competition from foreign and Brazilian airlines. Much will depend on whether Pinto has the dynamism to break with Varig's traditional operating methods, established over years as the unchallenged industry leader. *Jonathan Wheatley*

Calvet's new vehicle

Jacques Calvet, the veteran chairman of France's Peugeot-Citroën, has added another accolade to his collection. A former top civil servant and an officer of the Légion d'Honneur, Calvet has just been elected chairman of the European Antomobile Manufacturers' Association.

Best known under its French acronym, ACEA acts as a mouthpiece for Europe's carmakers when dealing with the Eurocracy in Brussels (where it is based) and in trade negotiations when a joint industry view is required.

Not that long ago, Calvet's appointment might have caused a slight tremor in Tokyo, where his attacks on Japanese trading practices and advocacy of much tougher import restrictions will not be forgotten quickly. More recently, however, the rising yen and establishment of Japanese car plants in Europe have shifted his focus to new targets.

Korean car imports to Europe, which have soared this year, are likely to come into his sigbts. Although Korea'e import tariffs on cars are lower than those of the European Union, market eccess remains restricted by a variety of non-tariff barriers.

But Calvet's gaze may elso rest closer to home. One of his constant, and growing, themes since the European currency turmoil of September 1992 has been the unfair competitive advantage gained by car makers in Italy, Spain and, to e lesser extent, the UK, because of the depreciations of their currencies.

Calvet has called for EU moves to smooth out the competitive imbalances caused by the weak lira, peseta and pound, but, so far, his entreaties have fallen on deaf ears. *Haig Simonian*

Revlon's fresh face

Ronald Perelman, the US financier who made his money in the US leveraged buy-out boom of the 1980s, is preparing to move onto the international stage. He has hired Germany's Peter Zuhlsdorff, 55, to head the international operations of MacAndrews & Forbes, the bolding company for a group of businesses ranging from Revlon, the US cosmetics giant, to Marvel Entertainment and First Nationwide Bank.

Zuhlsdorff, who will be chairman of the international division, had run Wella, the German bair care and cosmetics group, for four years. He resigned in September following "irreconcilable differences" with the majority family shareholders over the strategic direction of the company. At Wella, Zuhlsdorff cut costs, improved profitability and bought Muehlens, manufacturer of 4711 eau de cologne brand.

Perelman plans to re-float Revlon on the stock market shortly and Zuhlsdorff'e first task will be to use his background in the beauty care business to help internationalise Revlon'e business. *William Hall*

ON THE MOVE

■ Ray Viault, 51, former chief executive of Kraft Jacob Suchard, based in Zurich, is to head the international operations of GENERAL MILLS, the US consumer foods group. He was responsible for transforming KJS into Europe's third largest food business during his five years at the helm. General Mills's international business has doubled in size since 1990 but it says that "superior growth in the decade ahead requires that we accelerate expansion of our presence abroad."

■ Steven Kotler, 48, president and chief operating officer of SCHRODER WERTHEIM & CO, has taken over from James Harmon as chief executive. Harmon, 60, will remain chairman until a successor is found. After that he will become senior chairman of Schroder Wertheim and devote himself to client relationships on behalf of the Schroder Group.

■ Mark Burrows has joined the board of JOHN FAIRFAX, the Australian media group. Burrows, chairman of Baring Brothers Burrows and deputy chairman of Telstra, the state-owned telecommunications group, advised Warwick Fairfax against the 1987 takeover of Fairfax.

■ John McArthur, 61, e former dean of the Harvard Business School, as non-executive director of GLAXO WELLCOME, the world'e largest drugs company.

■ Richard Lappin succeeds John Holland as president and chief operating officer of Chicago's FRUIT OF THE LOOM at the end of the month.

■ Anthony Hamilton, chairman of Fox-Pitt, Kelton Group, specialising in the insurance and banking industries, a non-executive director of THE EQUITABLE COMPANIES and its wholly-owned subsidiary, The Equitable Life Assurance Society of the US. Sir Douglas Wass, 72, is stepping down.

■ Norman F. Ehlers, John A. Hall and Murray L. Reichenstein have retired as vice presidents of FORD MOTOR COMPANY and Louis R. Ross as vice chairman.

■ Christian Grégoire, 41, replaces Georg Graf as intellectual property director of ALCATEL ALSTHOM. Grégoire was previously responsible for technical and marketing matters at Alcatel Alsthom Recherche.

■ Gedas Sakus, president of public carrier networks for NORTHERN TELECOM (Nortel), has been appointed president, Nortel Technology and chairman of Bell-Northern Research. He replaces Brian Hewat, who retires in July. Clarence Chandran, who helped establish the company'e presence in the Caribbean and Latin American Markets, will replace Sakus. Cesar Cesaratta, group vice president, components and service operations, will become president and chief operating officer of Matra Communication, based near Paris, and will be responsible for Nortel's 50 per cent investment in Matra.

■ Manuel Ortells Ramos and Juan Ramon Garcia Secades have replaced Francisco Hernandez Spinola and Diego Chacon Ortiz as directors of TELEFONICA DE ESPANA.

■ D.Travis Engen, chairman of New York-based ITT Industries, as a director of ALCAN ALUMINIUM.

■ Joerg Menten succeeds Bernhard Kubitza as finance director at the BOEHRINGER MANNHEIM GROUP. Kubitza became chief financial officer at Boehringer's holding company Corange of Bermuda in September 1995.

■ Alvaro A.C. de Souza, head of the cross border finance group and former head of Citibank's operations in Brazil becomes head of CITICORP'S worldwide Private Bank. He replaces Hubertus M. Rukavina, who becomes head of the investment products & distribution group. Shaukat Aziz will become corporate planning officer and Rana Talwar will be responsible for Citibanking in Europe/north America, succeeding Victor Menezes, the group's new chief financial officer.

■ Michael J. Nocera, 50, has been appointed chief executive of New York Life Worldwide Holding, the insurance subsidiary of NEW YORK LIFE. Prior to joining in 1990, Nocera was an investment banker at PaineWebber and E.F. Hutton.

■ Peter Hunt, executive vice president at Bankers Trust Australia, joins BZW as joint head of corporate finance for Australia and New Zealand alongside Simon Mordant. David Williams, who has managed the business jointly with Simon since 1994, is leaving to pursue private investment interests.

■ Michael J McKenna, 60, has been appointed president and chief operating officer of CROWN CORK & SEAL COMPANY. William J. Avery remains chairman and CEO. McKenna joined the company in 1957 as a sales representative and for the last five years has been president of the north American division.

■ Patti Croft appointed chief economist at CANADA TRUST.

■ Patrick Gavin appointed director of technology and industrial strategy at the aeronautics division of AEROSPATIALE.

■ Alfonso Gomez Palacio appointed chief executive of ANCHOR GLASS CONTAINER CORPORATION in addition to his responsibilities as CEO of Vitro's glass container division in Mexico.

■ William J. Sharp, 54, head of GOODYEAR'S European operations, has become president of global support operations. He be responsible for research and development, manufacturing, purchasing, materials management, quality, environment, health and safety. Sylvain G. Valensi, 53, managing director of Goodyear France, succeeds Sharp. Valensi joined Goodyear France in 1965.

■ Terry McCartney, 42, managing director of Kmart, Australia's largest discount chain, has succeeded Peter Wilkinson as managing director of Myer Grace Brothers, COLES MYER'S department store business. Geoff Sadler, 47, managing director wholesaling and services, Coles Myer Supermarkets, succeeds McCartney. Gary Nye, 44, managing director, Bi-Lo and real estate in supermarkets, takes over from Sadler.

■ Robert A. Solberg, chairman of London-based TEXACO, returns to New York as president of Texaco'e middle east/far east division. He is replaced by Donald A. Bennett, general manager of Texaco's information technology department.

■ John C. Whitehead, 73, former co-chairman and senior partner of Goldman, Sachs & Co, has succeeded Maurice R. Greenberg, chairman of American International Group, as chairman of the NEW YORK FEDERAL RESERVE BANK's board for 1996. Thomas W. Jones, chief operating officer of the Teachers Insurance and Annuity Association-College Retirement Equities Fund, is deputy chairman and Peter G. Peterson, former secretary of commerce, joins the board.

International appointments

Please fax announcements of new appointments and retirements to: +44 171 873 3926, marked for International People. Set fax to 'fine'.

COMMODITIES AND AGRICULTURE

Oil prices fall as Iraq seeks fresh UN talks on 'humanitarian' sales

By Robert Corzine

Oil prices fell again yesterday as traders remained wary of Iraqi statements that it was keen to enter talks with the United Nations on a plan to sell oil to raise funds for humanitarian relief supplies. The country's oil has been excluded world oil markets since its invasion of Kuwait.

The price of the benchmark Brent Blend for March delivery opened at $16.81 a barrel in London, down 31 cents from Friday's close. Prices remained depressed in later trading as the UN confirmed that it was forming a team of experts to conduct the talks with the Iraqis.

No date, however, has been set for a start to the negotiations.

Many analysts remained highly sceptical that the talks would result in clearance being given for the first Iraqi oil to reach world markets in more than five and a half years. Baghdad has previously objected to conditions contained in UN Resolution 986, which authorises $2bn worth of Iraqi oil exports every six months.

The money is intended to pay for relief efforts in Iraq. But it would also be used to underwrite relief operations for the rebellious Kurds in northern Iraq and to pay compensation to the victims of the Gulf War. Funds would also be allocated to UN operations in Iraq.

The weakness in the markets coincided with a warning to the world's main oil exporters that prices could be undermined further as a result of high rates of production.

The London-based Centre for Global Energy Studies said that members of the Organisation of Petroleum Exporting Countries urgently needed to reduce their aggregate production from around 25.4m barrels a day to 25m b/d to stave off lower prices.

"Waiting until Opec's next scheduled meeting in early June to cut back will be too late" to prevent "significantly weaker oil prices emerging in the second half of the year," it concluded.

Southern Peru Copper cleans up its act

By Sally Bowen in Lima

US-owned Southern Peru Copper Corporation last Friday officially inaugurated a long-awaited sulphuric acid capture plant on the site of its Ilo smelter. The $103m plant is part of a late 1991 commitment to the Peruvian government to cut pollution and increase production.

In addition, the company announced that it was studying a possible $500m new investment in Peru. This would come on top of $445m the company has invested over the past four years in environmental improvements and modernisation.

The major investment now being contemplated would involve construction of a new smelter to replace the existing facility at the southern port of Ilo.

This is now 35 years old and has long been the target of vociferous public criticism for its environmental pollution. Recently, inhabitants of Ilo made an attempt to sue SPCC through the courts in Texas for damage to health and crops: SPCC appears to have won in the first instance.

It is clear, however, that SPCC, majority-owned by Asarco of the US, has for years run a smelting operation in Peru with pollution standards that would not have been permitted in the US.

The sulphuric acid plant unveiled last week constitutes "a notable advance" in mitigating the effects of emissions, according to SPCC president, Mr Charles Preble. It will reduce by 18 per cent sulphur dioxide escaping into the atmosphere: an improvement but still very far from ideal.

In tandem with the acid capture plant itself, SPCC has made modifications to the smelter. Two old converter furnaces and an aged reverb have been taken out of service to be replaced by a "Teniente" converter - so-called because it uses technology developed in Chile's mine of that name - to smelt copper concentrates.

Some of SPCC's output of sulphuric acid - a projected 155,000 tonnes a year - will be exported. The rest is destined for the new solvent-extraction/electrowinning facility which has just come on stream at Toquepala. This will produce 38,000 tonnes of pure copper a year, raising total Peruvian refined output by around 9 per cent.

At Friday's plant inauguration, Mr Preble underlined the recent advances at SPCC's two mines, Cuajone and Toquepala, which together produce some two-thirds of all Peru's copper. As well as the new SX-EW plant, mine equipment has been extensively overhauled and upgraded.

The remainder of SPCC's 1992-95 investment has gone on a $41m tailings dam (previously, tailings were dumped on the shore close to Ilo), drinking water and sewerage systems for the town of Ilo and the purchase of the former state-owned copper refinery close to the SPCC smelter.

SPCC, the only major mining company to have escaped nationalisation by the left-wing Peruvian military regime in the early 1970s, is finally seeing the rewards of having stuck out the hard interim years. Mr Preble acknowledged with some relief the economic achievements of the Fujimori administration since 1990, including "the establishment of a more stable and investment-friendly atmosphere and the recovery of substantial confidence among Peruvians".

The future looks bright for the US-controlled giant. SPCC recently announced a 117 per cent increase in its reserves and studies are under way for expansion of concentrator plants, as well as for water and energy infrastructure. The acquisition of the Ilo refinery in April 1994 has allowed substantial reductions in operating costs.

Japanese steel mills expected to concede coking coal price rise

By Nikki Tait in Sydney

The current round of negotiations between the Japanese steel mills and Australian coal producers should lead to a rise in hard coking coal prices of around US$2.50 a tonne, according to forecasters at AME Mineral Economics, the Sydney-based mineral economics consultancy.

In its latest report on the export coal market, AME suggests that despite the difficult conditions in the Japanese steel industry, the Japanese will be anxious to preserve the significance of their coal price as an international benchmark. Holding this back too far, when other markets are moving ahead, would undermine that role.

"The result will be that despite their desire for no price rise, the JSM will accept one to support the benchmark system and their role as a price-setter. The end result will be a rise in hard coking coal prices for 1996 of around US$2.50. Any level above this will send the wrong message to the industry, potentially leading to an over-supply situation," AME says.

Longer-term, AME forecasts that demand for internationally-traded coking coal should increase by around 17m tonnes a year between 1994 and 2000. Although changes in steel-making technology will limit increases in demand, this steady rise should result a tight coking coal market for several years.

It predicts a steady rise in prices from the low of US$45.45 per tonne in 1994, to US$60.68 by the year 2000, and US$73.16 by 2005.

Meanwhile, AME sees demand for internationally traded steaming coal growing from 231m tonnes in 1995 to 337m tonnes by the year 2000, largely on the back of rising demand from south-east Asian nations.

It predicts that the nominal price here will rise from US$40.65 per tonne in 1995, to US$43.07 in 1996, and then to US$49.76 by the end of the century.

It could be as high as US$60.50 by the year 2005.

Negotiations over the 1996 coking coal price, led by BHP Coal Australia and Nippon Steel respectively, restarted in Tokyo earlier this month, and would normally be expected to conclude in February.

To date, Australian negotiators have been relatively upbeat, both about the progress of the talks and the likely timetable for reaching a resolution.

EU animal transport rules attacked by vets

By Alison Maitland

British vets have attacked new rules on the transport of live animals across the European Union as unworkable and potentially harmful.

A directive, to be adopted by member states by the end of this year, limits journey times for different types of animals, after which they must be unloaded, fed, watered and rested for 24 hours before resuming their journey.

The British Veterinary Association says the directive is "a step in the right direction". But it says some of the journey times appear arbitrary. A journey limit of 18 hours for newly weaned calves and lambs, with a one-hour break after nine hours, is "too long and takes insufficient account of the stresses involved".

In an editorial in the weekly Veterinary Record, it also takes issue with British government plans to implement it.

It argues that including the trip from farm to market in the overall journey time is overly bureaucratic and could lead to the spread of disease.

Vehicles may pick up animals at different stages along the way and contain mixed batches of animals. If time is running out, the animals could be kept at markets for their 24-hour rest period, leading to welfare problems and disease.

The BVA calls for more resources if the European Commission is to police the new directive properly.

"Hitherto, the European Commission has not shown itself particularly adept at finding the resources needed to enforce existing rules on the welfare of animals during transport," it adds.

The Pig Veterinary Society, a specialist division of the association, has written to Mr Douglas Hogg, farm minister, expressing concern that the directive could damage Britain's £21m annual trade with the EU in breeding pigs.

It says the idea of resting breeding pigs at staging posts after 24 hours could put them in contact with commercial pigs from mainland Europe, threatening contamination with diseases such as swine dysentery.

Western Mining to assess big Cuban nickel deposit

By Pascal Fletcher in Havana

Australia's Western Mining Corporation announced yesterday that its wholly owned subsidiary, Westminer Holdings, had signed an agreement with a state-owned Cuban company allowing it to begin evaluation of a large nickel deposit in eastern Cuba for possible future development.

The detailed accord, which was signed in Havana on Sunday, further consolidates a broad agreement announced in September, 1994, which outlined a project for WMC to evaluate and, if viable, develop the Pinares de Mayari West nickel deposit, located in Cuba's eastern Holguin Province.

The deposit is estimated to contain in excess of 200m tonnes of ore yielding grades of more than 1 per cent nickel and 0.1 per cent cobalt (a mineral used chiefly in the paint industry).

With the signing of the latest agreement, which took place in the presence of Cuban President Fidel Castro, the way is now clear for work to start on the initial stage of the evaluation programme and finalisation of detailed contractual documentation.

The investment deal made by Western Mining with Cuba's Commercial Caribbean Nickel, a state-owned Cuban company, has the potential to become one of the biggest by any foreign company in Cuba. The project, whose overall cost, if the development goes ahead, is estimated at more than $500m, foresees the formation of a joint venture in which the Australian partner's share would be 65 per cent. This is higher than the share normally granted so far to foreign companies in the Cuban mining sector.

The agreement also foresees the possible construction of a nickel/cobalt refining plant in Cuba.

Cuba, which has extensive nickel ore reserves, is already running a vertically-integrated nickel/cobalt processing and refining operation with Canada's Sherritt International. Since it was opened up to foreign investors after 1990, the Cuban mining sector has attracted heavy foreign interest.

Cuban officials say that the agreements with Sherritt and WMC are aimed at making Cuba one of the leading producers of nickel and cobalt world. Negotiations have also been held with South Africa's Gencor and Anglo American Corporation about other potential nickel projects on the island.

Boosted by the Sherritt investment, Cuba's nickel output rebounded strongly in 1995 to 43,000 tonnes, a major recovery from the 26,362 tonnes produced in 1994, when the Cuban industry was still feeling the effects of the collapse after 1991 of technical supplies previously provided by the former Soviet Union.

Cuba's nickel industry aims to produce 46,000 tonnes this year, which would bring output back to the record 1989 level.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

● ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1529-30	1559-59.5
Previous	1556-58	1586-87
High/low	1531.5/1527	1581/1552
AM Official	1531.5-32.0	1560-61
Kerb close		1551-2
Open int.	241,344	
Total daily turnover	43,889	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1355-65	1395-400
Previous	1385-95	1425-30
High/low		1410/1380
AM Official	1365-75	1400-405
Kerb close		1370-80
Open int.	4,635	
Total daily turnover	875	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	710.5-11.5	705-6.5
Previous	717-18	709-10
High/low	710/709	709/703
AM Official	709-10	703-4
Kerb close		705.5-6.0
Open int.	31,751	
Total daily turnover	6,451	

● NICKEL ($ per tonne)

	Cash	3 mths
Close	8130-40	8220-30
Previous	8320-30	8400-10
High/low	8110	8260/8160
AM Official	8110-15	8220-25
Kerb close		8175-85
Open int.	41,313	
Total daily turnover	19,361	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6245-55	6285-90
Previous	6255-65	6290-95
High/low	6255/6250	6290/6270
AM Official	6245-50	6280-90
Kerb close		6280-90
Open int.	15,238	
Total daily turnover	4,283	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1015.5-16.5	1037-38
Previous	1026-27	1047-48
High/low	1015	1042/1034
AM Official	1015-16	1037-38
Kerb close		1034-5
Open int.	75,271	
Total daily turnover	15,534	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2519-24	2457-58
Previous	2555-60	2489-90
High/low	2510/2504	2485/2440
AM Official	2503-4	2450-52
Kerb close		2447-9
Open int.	168,150	
Total daily turnover	55,513	

● LME AM Official £/$ rate: 1.5117
LME Closing £/$ rate: 1.5135

Spot: 1.5139 3 mths: 1.5110 6 mths: 1.5084 9 mths: 1.5055

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	116.00	+0.50	116.00	114.40	380	1,782
Feb	114.75	+0.55	115.10	113.60	158	1,461
Mar	112.75	+0.60	113.30	111.20	4,814	27,843
Apr	111.55	+0.50	111.55	110.50	23	901
May	110.45	+0.60	111.00	109.30	622	5,786
Jun	109.75	+0.55	109.10	109.10	11	725
Total					6,484	49,673

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz.)	$ price	£ equiv	SFr equiv
Close	401.90-402.30		
Opening	400.50-400.90		
Morning fix	401.80	265.987	479.347
Afternoon fix	402.20	265.794	478.015
Day's High	402.90-403.30		
Day's Low	400.50-400.90		
Previous close	399.40-399.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.85	6 months	2.61
2 months	2.82	12 months	2.45
3 months	2.78		

Silver Fix	p/troy oz.	US cts equiv.
Spot	364.15	550.40
3 months	369.20	557.00
6 months	373.85	563.05
1 year	383.60	575.00

Gold Coins	$ price	£ equiv.
Krugerrand	400-403	264-266
Maple Leaf	413.65-418.20	
New Sovereign	93-96	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	403.4	+3.7	-	-	6	-
Feb	403.5	+3.8	403.7	399.9	46,651	99,982
Apr	406.0	+4.0	406.5	402.6	9,314	34,878
Jun	408.0	+4.1	408.4	404.5	3,170	27,470
Aug	409.7	+4.1	409.0	408.3	960	10,062
Oct	411.3	+4.1	-	409.2	521	4,028
Total					63,256	226,367

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	424.3	+7.2	-	-	20	1
Apr	427.8	+7.2	428.4	422.9	2,752	18,570
Jul	422.5	+7.2	429.0	427.5	288	2,706
Oct	431.2	+7.2	430.5	429.5	334	1,130
Jan	432.8	+7.2	-	-	5	54
Total					3,374	22,541

● PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	133.25	+0.80	134.00	133.00	144	4,824
Jun	134.60	+0.80	135.75	134.50	40	1,272
Dec	137.10	+0.80	-	-	-	30
Total					184	6,128

● SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	556.1	+12.5	553.0	553.0	27	148
Mar	559.5	+12.5	560.0	549.0	15,738	60,609
May	564.5	+12.6	565.6	557.0	1,111	12,085
Jul	568.7	+12.6	569.0	561.0	211	8,045
Sep	572.6	+12.8	565.0	560.0	29	8,975
Dec	578.6	+12.8	577.0	573.0	99	5,898
Total					17,369	98,433

ENERGY

● CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	18.50	-0.44	18.74	18.25	31,636	19,601
Mar	17.99	-0.26	18.05	17.80	45,844	79,449
Apr	17.61	-0.26	17.66	17.41	18,293	44,103
May	17.36	-0.20	17.44	17.28	7,477	29,858
Jun	17.23	-0.18	17.30	17.15	4,462	37,531
Jul	17.13	-0.16	17.13	17.06	1,838	28,074
Total					114,546	399,839

● CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	16.82	-0.30	16.87	16.73	14,133	74,372
Apr	16.38	-0.30	16.43	16.30	7,244	20,677
May	16.09	-0.34	16.14	16.05	1,294	16,278
Jun	15.96	-0.28	15.98	15.90	803	16,307
Jul	15.86	-0.27	15.87	15.81	236	8,176
Aug	15.79	-0.24	15.81	15.76	200	4,330
Total					23,442	182,847

● HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	53.40	-0.82	53.76	52.70	15,843	30,587
Mar	52.05	-0.61	52.30	51.50	6,987	28,774
Apr	49.60	-0.61	49.70	49.25	2,079	12,029
May	47.50	-0.66	47.80	47.45	949	7,013
Jun	46.95	-0.61	47.00	46.70	674	9,881
Jul	46.85	-0.56	46.90	46.70	131	5,178
Total					28,265	108,186

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	155.50	-3.00	158.50	155.00	9,712	23,837
Mar	152.75	-2.50	155.25	152.00	3,361	12,676
Apr	150.00	-1.75	150.00	149.25	740	7,912
May	148.90	-1.50	147.75	147.50	165	3,193
Jun	147.00	-1.50	148.50	146.50	74	5,982
Jul	147.00	-1.50	147.00	146.75	8	4,253
Total					14,318	63,136

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.088	-0.082	2.120	1.950	21,007	26,291
Mar	1.935	-0.021	1.960	1.856	4,965	24,532
Apr	1.855	-0.010	1.880	1.785	1,785	13,801
May	1.820	-0.005	1.825	1.740	1,202	13,620
Jun	1.810	-0.005	1.815	1.750	1,149	11,291
Jul	1.800	-0.005	1.805	1.770	321	8,849
Total					33,808	155,248

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	54.80	-0.81	55.10	54.25	10,750	13,257
Mar	54.50	-0.51	54.80	53.35	4,077	19,627
Apr	55.75	-0.51	56.35	55.50	1,761	10,665
May	55.20	-0.60	55.45	54.65	866	7,175
Jun	54.50	-0.46	55.20	54.20	341	2,614
Jul	53.85	-0.85	54.40	53.50	33	3,465
Total					17,642	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	120.45	-0.80	121.50	121.00	23	65
Mar	121.05	-0.55	121.60	121.10	77	2,449
May	123.05	-0.50	123.73	123.05	159	3,332
Jul	125.05	-0.45	125.75	125.10	16	482
Sep	111.00	-0.25	-	-	-	134
Nov	112.15	-0.35	112.50	112.00	113	1,228
Total					275	7,712

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	482.25	-5.00	488.00	480.50	11,911	53,304
May	455.75	-4.75	461.00	454.25	1,683	11,027
Jul	424.50	-1.50	426.00	422.00	4,800	32,001
Sep	425.50	-2.00	426.50	423.25	140	6,225
Dec	433.25	-2.00	436.00	431.00	145	3,299
Jul	378.00	-	378.25	378.00	14	138
Total					18,473	106,987

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	357.75	-3.00	362.00	355.75	40,230	210,167
May	362.00	-3.00	366.00	360.00	15,906	115,780
Jul	358.75	-4.75	362.25	355.50	9,985	84,739
Sep	308.75	-4.00	311.25	305.25	1,417	23,803
Dec	290.25	-4.25	295.00	289.00	6,710	52,134
Mar	295.50	-4.50	300.00	294.75	713	3,488
Total					75,194	491,918

● BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	112.85	-0.15	-	-	-	97
Mar	113.10	-0.70	113.50	113.50	5	744
May	115.00	-0.45	-	-	-	395
Sep	107.00	-	-	-	10	29
Nov	109.00	-0.20	109.00	109.00	20	84
Total					25	1,328

● SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	731.00	-6.25	738.00	728.50	1,572	877
Mar	734.00	-11.25	744.50	732.50	27,241	94,244
May	739.75	-10.25	749.50	738.25	4,423	28,872
Jul	741.25	-10.25	750.50	740.50	2,895	51,068
Aug	737.00	-9.25	746.00	737.00	489	2,939
Sep	712.50	-9.00	719.50	712.50	87	2,819
Total					46,824	195,850

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	23.55	-0.10	23.83	23.41	260	63
Mar	23.72	-0.07	23.90	23.63	8,931	45,583
May	24.06	-0.11	24.25	24.01	3,080	15,670
Jul	24.43	-0.13	24.65	24.38	2,047	13,036
Aug	24.58	-0.12	24.71	24.57	319	4,086
Sep	24.77	-0.10	24.85	24.76	328	2,038
Total					15,606	86,780

● SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	234.0	-3.8	236.3	233.5	1,414	522
Mar	235.9	-4.5	240.2	235.3	11,128	51,159
May	237.7	-3.9	241.7	237.0	3,126	16,507
Jul	237.8	-3.2	241.4	237.0	1,861	15,342
Aug	235.1	-2.9	237.5	235.2	173	2,859
Sep	230.9	-2.1	232.5	231.0	307	2,087
Total					18,382	93,367

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	200.0	-	-	-	-	-
Apr	187.8	-15.7	204.0	185.0	174	870
May	210.0	-12.0	-	-	-	9
Jun	325.0	-	-	-	-	-
Total					174	1,007

● FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1511	-24	1571	1510	7	935
Feb	1480	-35	1480	1480	23	453
Mar	1480	-20	1480	1475	38	358
Apr	1478	-12	1485	1475	73	1,376
Jul	1350	-5	1350	1340	62	902
Oct	1435	+15	-	-	-	267
Total					188	4,323

	Close	Prev
BFI	1536	1558

FUTURES DATA
All futures data supplied by CMS.

Tea
Landed fairly good general demand this week reports the Tea Broker's Association. The few remaining Assams on offer met strong competition at dearer rates. Selected brightest East Africans were firm while below best types lost 3 to 8 pence. Coloury mediums sold well and prices often appreciated but others tended easier. Offshore fair enquiry with prices about steady. Quotations: best available: 148p-161p/kg, good: 130p-145p/kg, good medium: 115p-125p/kg, medium: 98p-112p/kg, low medium: 88p-95p/kg. Highest price realised this week was a 161p/kg for a Kenya pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	928	+8	931	917	3,864	29,072
May	948	+6	953	939	1,810	16,861
Jul	969	+7	973	960	570	6,505
Sep	988	+6	993	979	411	33,116
Dec	1006	+7	1010	996	403	9,468
Mar	1027	+6	1030	1017	568	25,425
Total					7,628	120,589

● COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1281	+7	1289	1273	4,500	35,129
May	1301	+5	1316	1295	1,582	22,395
Jul	1321	+6	1338	1316	283	8,379
Sep	1342	+6	1359	1338	281	8,370
Dec	1375	+8	1381	1375	220	6,654
Mar	1403	+6	-	1396	10	6,536
Total					6,856	91,859

● COCOA (ICCO) (SDR's/tonne)

Jan 19	Price	Prev. day
Daily	927.23	932.59

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1860	-35	1878	1862	150	573
Mar	1813	-20	1835	1810	1,247	16,754
May	1664	-11	1690	1660	511	11,855
Jul	1603	-10	1625	1605	166	4,017
Sep	1589	-2	1610	1592	59	2,209
Nov	1575	-3	1595	1585	12	573
Total					2,179	35,908

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	107.50	+2.85	107.80	104.25	5,710	15,884
May	106.80	+2.90	107.00	103.70	1,213	6,366
Jul	106.10	+2.75	106.50	103.75	385	2,751
Sep	105.30	+2.50	106.00	104.25	96	1,661
Dec	104.75	+2.75	105.50	104.00	14	891
Mar	106.00	+2.75	103.75	103.75	19	185
Total					7,419	27,852

● COFFEE (ICO) (US cents/pound)

Jan 19	Price	Prev. day
Comp. daily	98.93	98.86
15 day average	95.11	94.82

● No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.80	-	-	-	-	-
May	11.36	+0.20	-	-	-	-
Jul	11.36	+0.20	-	-	-	-
Oct	11.36	+0.20	-	-	-	-
Total						

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	367.4	+2.0	361.5	359.0	793	10,876
May	348.4	+2.2	348.2	345.9	424	9,314
Aug	333.2	+1.9	333.1	331.0	189	4,989
Oct	307.6	+1.8	307.8	306.0	11	3,985
Dec	301.0	+1.2	-	-	-	2,230
Mar	299.9	+1.0	295.5	295.4	-	534
Total					1,422	32,180

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	11.56	+0.07	11.57	11.34	13,599	58,757
May	11.22	+0.05	11.23	11.05	6,704	28,541
Jul	10.16	+0.02	10.17	10.04	8,167	20,885
Oct	10.01	+0.03	10.02	9.91	2,640	20,104
Mar	9.83	+0.03	9.82	9.75	337	12,253
May	9.72	+0.03	9.74	9.68	52	1,861
Total					31,854	143,565

● COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	84.32	-0.18	85.00	84.00	9,242	21,922
May	83.50	-	84.20	83.20	1,774	12,116
Jul	82.50	-0.27	83.40	82.40	861	7,539
Oct	79.42	+0.22	79.50	78.65	328	1,754
Dec	77.33	-0.09	77.60	77.15	989	11,274
Mar	78.00	-0.15	78.40	78.00	33	1,003
Total					12,849	57,366

● ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	115.10	-2.20	117.00	114.75	1,277	15,588
May	117.10	-2.50	119.05	116.90	813	3,389
Jul	119.00	-2.25	121.15	119.00	161	1,409
Sep	120.75	-2.50	123.00	120.50	183	1,193
Nov	119.25	-2.25	121.00	118.80	131	570
Jan	118.75	-2.00	118.85	119.05	186	1,225
Total					2,663	23,464

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

● REUTERS (Base: 18/9/31=100)

Jan 22	Jan 19	month ago	year ago
2120.8	2124.6	-	2254.4

■ CRB Futures (Base: 1967=100)

Jan 19	Jan 18	month ago	year ago
240.63	240.58	-	-

● GSCI Spot (Base: 1970=100)

Jan 18	Jan 16	month ago	year ago
186.79	187.65	186.57	167.40

MEAT AND LIVESTOCK

● LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	64.575	-0.600	65.300	64.275	3,594	28,975
Apr	64.950	-0.425	65.800	64.750	2,487	20,314
Jun	61.475	-0.325	61.950	61.450	1,351	12,440
Aug	60.725	-0.150	61.000	60.700	647	5,538
Oct	61.950	-0.125	62.200	61.800	287	5,018
Dec	62.150	-0.075	62.300	62.000	189	2,811
Total					8,951	73,431

● LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	45.200	+0.325	45.250	44.500	2,688	9,573
Apr	44.800	+0.525	44.850	43.800	2,117	10,464
Jun	49.700	+0.350	49.875	49.150	1,919	6,842
Jul	49.025	+0.450	49.150	48.500	679	2,212
Aug	47.875	+0.200	48.075	47.400	1,938	3,288
Oct	44.450	+0.275	44.800	44.000	982	1,705
Total					10,452	35,851

● PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	53.450	+1.850	53.500	51.625	1,050	3,925
Mar	53.550	+1.575	53.750	52.000	352	1,411
May	54.350	+1.750	54.800	52.650	200	1,035
Jul	55.125	+0.975	55.250	53.700	97	806
Aug	53.025	+1.150	53.150	51.950	27	197
Total					1,726	7,374

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

● ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1400	136	-	-	-
1500	47	81	11	27
1600	5	32	69	76
● COPPER (Grade A) LME	**Feb**	**Apr**	**Feb**	**Apr**
2400	115	110	8	56
2500	48	61	38	106
2600	11	31	104	174
● COFFEE LCE	**Mar**	**May**	**Mar**	**May**
1500	316	214	3	50
1550	269	-	6	-
1600	224	-	11	-
● COCOA LCE	**Mar**	**May**	**Mar**	**May**
850	79	104	1	5
875	56	83	3	9
900	36	64	8	15
● BRENT CRUDE IPE	**Mar**	**Apr**	**Mar**	**Apr**
1650	-	48	28	-
1700	28	-	50	-
1750	15	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.04-6.14w	-0.060
Brent Blend (dated)	$17.45-7.49	-0.140
Brent Blend (Mar)	$16.67-6.68	-0.065
W.T.I.	$18.02-8.06w	-0.020

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$166-168	-2
Gas Oil	$165-166	+3
Heavy Fuel Oil	$99-101	
Naphtha	$170-172	
Jet fuel	$188-189	+3
Diesel	$170-172	+3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

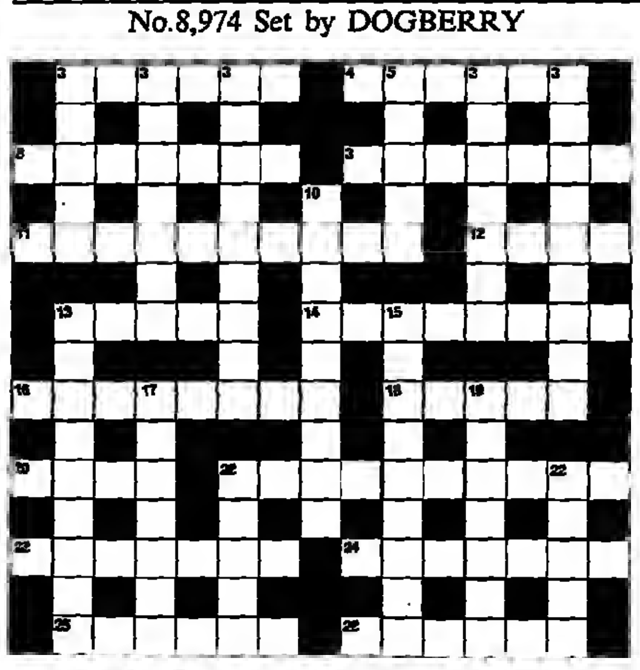
Gold (per troy oz)♣	$402.10	+2.50
Silver (per troy oz)♣	551.5c	+9.0
Platinum (per troy oz.)	$422.50	+6.65
Palladium (per troy oz.)	$131.00	+1.50
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.92m	+0.08
Tin (New York)	295.5c	-2.0
Cattle (live weight)†	118.89p	+0.92*
Sheep (live weight)†♣	124.04p	+4.28*
Pigs (live weight)†	101.22p	+2.75*
Lon. day sugar (raw)	$311.1	+6.3
Lon. day sugar (wte)	$374.0	-4.0
Barley (Eng. feed)	120.0u	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Feb)¶	104.50p	-2.25
Rubber (Mar)¶	104.50p	-2.25
Rubber (KL RSS No1)	394.00m	-2.00
Coconut Oil (Phil)§	$720.0y	+20.0
Palm Oil (Malay.)§	$515.0y	+5.0
Copra (Phil)§	444y	
Soyabeans (US)	214.0	+1.0
Cotton Outlook 'A' index	85.80	+0.75
Wooltops (64s Super)	452p	+2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. y Feb/Mar. u Mar/Apr. § London Physical. ¶ CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,974 Set by DOGBERRY



ACROSS

1 Pain requiring repair (6)
4 Ready-made to roll back clutching arbitrator (6)
8 West holds insignificant creature to be big businessman (7)
9 American city surrounded by lots of sheep of mixed breed (7)
11 Lose value and be disparaging about one (10)
12 Cut short with whip (4)
13 Attractive personality turned timid (5)
14 Taunt in the morning following standard model (8)
16 Small animals put back into grotty pens, for example (8)
18 Shell almost struck off (5)
20 Far from generous import (4)
21 Dumps legendary herb carrying spark to church (10)
23 Flower 9 of Gaul (7)
24 Displaced person's road allowance (7)
25 Attended to detail - that's swell (6)
26 Pay homage, for some is forever England (6)

DOWN

1 Second attempt at filming immolation scene (5)
2 Offal finding a way into pubs (7)
3 Stay calm, beginning to cope (badly) with disaster (9)
5 Stir or rake round pole (5)
6 Soft young creature brought up by detectives (7)
7 Exercised mind, albeit in 1 down (9)
10 Tower looking effeminate with a flower (9)
13 21 across document in print? Vice versa (9)
15 Obscure ceremony involving headless supporter (9)
17 Disguise, formerly, in little energy (7)
19 Throw out our hens! (7)
21 What you get by making love in the fog? (5)
22 Thrust and dive, topless (5)

Solution to Saturday's prize puzzle on Saturday February 3.
Solution to yesterday's prize puzzle on Monday February 5.

INTERNATIONAL CAPITAL MARKETS

Renewed political concerns hit high-yielding European sector

By Martin Brice and Richard Lapper in London and Lisa Bransten in New York

High-yielding European markets were yesterday hit by renewed political concerns, while US and other European markets also closed lower.

■ Swedish debt yields rose sharply as investors reacted badly to a plans to cut unemployment announced at the weekend by Mr Goran Persson, the finance minister. Although Mr Persson stressed that the plan would be fully financed, some critics in the markets saw it as a concession to left-wingers in the ruling Social Democratic party.

A report from Moody's, the credit rating agency, warning of the effects on the economy of sluggish growth, also hurt sentiment.

"Sweden was absolutely clobbered," said one bond trader in London. "A lot of people bad bought in the dying stages of tbe rally, baving not paid attention to fundamentals, and have headed for the exits."

Yields on benchmark 9-year paper rose by 31 basis points to 8.23 per cent, while the 10-year yield spread over Germany moved from 213 basis points to 239 points.

■ The markets were again disappointed by political uncertainty in Italy, with news that Mr Oscar Luigi Scalfaro, the President, has extended consultations with political parties over the formation of a new government until Thursday.

In the casb market, Italy underperformed Germany, with the yield spread on 10-year paper widening from 423 basis points to 435 points. On Liffe the March future fell 1.12 to settle at 111.85.

■ Spain was the best performer among the high-yielders. Even so, it also underperformed Germany in the 10-year area, with the yield spread moving from 348 basis points to 352 points.

■ German prices closed lower bnt sborter-dated paper was particularly badly affected by suggestions from Mr Hans Tietmeyer, the president of the Bundesbank, that interest rates would not fall as rapidly as many in the markets had been expecting.

In the cash market, yields on benchmark two-year paper rose by 16 basis points on the day to close at 3.95 per cent, compared with a rise of 1 basis point in the 10-year sector.

GOVERNMENT BONDS

Mr Karsten Walprecht, senior hroker at Deutsche Bank Futures and Options in Frankfurt, reported curve flattening trades by both German and overseas institutions.

"People have heen moving down the curve. We have been talking about the possibility for some time but all of sudden it seems to have hit," he said.

Mr Paul Meader, bead of fixed income at Matheson Investment Management in London, said the flattening of the German curve "may be the beginning of a longer-term trend" which he expects to be a feature of the bond markets this year, just as US curve flattening was in 1995.

In the short term, a swing back in sentiment on interest rates could lead to another period of curve steepening, said Mr Meader, but the economic scenario in Germany – weaker growth and low inflation – justifies a narrower spread between two-year and 30-year paper than yesterday's levels of some 305 basis points.

On Liffe, the March 10-year bond future settled at 100.86, down 0.03, while the euromark contract for the same month settled at 96.65, down 0.02.

■ French bond prices were hit by light profit-taking and a dip in the value of the franc against the D-Mark. Floor trading ended on Matif with the March 10-year contract down 0.10 at 123, while March Pibor fell 0.05 to settle at 95.40.

■ UK government bonds were pulled down by hunds and Treasuries but were unaffected hy GDP figures that contained few surprises. GDP grew 0.4 per cent in the fourth quarter of last year and on a year-on-year basis by 1.8 per cent, the lowest figure since the first quarter of 1993.

Mr Jonathan Loynes, UK economist at HSBC Markets, said: "The chancellor [Mr Kenneth Clarke], who did not have the figures at at Wednesday's monetary meeting, will see the data as justification for the decision to cut rates. And with a clear threat of one or perhaps two more quarters of weak growth as firms unwind stocks, we expect another ½ point off base rates by the summer, with the next ¼ point cut probably in March."

Mr Andrew Milligan, international economist at New Japan Securities, said the CBI industrial trends survey, whicb is dne out today, and any signals about the outlook for the first quarter of this year would be more important for monetary policy.

On Liffe the March long gilt future closed at 111$\frac{13}{32}$, down $\frac{1}{32}$, in moderate turnover of 38,000 contracts. The 10-year yield spread over Germany moved from 159 basis points to 163 points.

In the cash market, the yield on the 7¼ per cent gilt due 1998 rose 3 basis points to 6.13 per cent, and the yield on the 7½ per cent gilt due 2006 by 3 points to 7.32 per cent.

The yield on the 7 per cent gilt due 2001 rose by a larger amount, by 5 basis points to 6.83 per cent, which some traders attribute to market expectations that this stock will be sold in the next auction.

An announcement on the auction stock is due today, and analysts expect a £3bn increase of the 7 per cent due 2001, although Mr Don Smith, UK economist at HSBC Markets, said: "It is possible that they may go for a new benchmark five-year gilt."

■ The yield on the benchmark 30-year US Treasury edged over 6 per cent in early trading yesterday as traders reacted to weekend posturing over the budget debate and prepared for a wave of new supply to hit the market later this week.

Near midday, the long bond was $\frac{13}{32}$ lower at 111⅛ to yield 6.007 per cent, while at the short end of the maturity spectrum the two-year note fell $\frac{1}{32}$ to 100$\frac{11}{32}$, yielding 5.043 per cent.

The sharper drop at the long end of the market led to a steepening of the curve that maps the difference between two-year and 30-year bond yields to 97 basis points from 95 points late on Friday.

On Sunday, Mr Dick Armey, the House Republican leader, said he would not support a measure raising the US borrowing limit unless it included several controversial provisions, including a plan to lower government spending.

Congressional Republicans have refused to raise the debt ceiling in an effort to force the president to bow to some of the demands in their plan to balance the federal budget. The Treasury Department must make an interest payment on its deht next month.

Also, this week the market faces a spate of new supply from today's auction of $18.25bn in two-year notes and tomorrow's auction of $12bn in five-year notes.

Treasury prices often fall in advance of an auction as traders attempt to push yields higher to make bonds more attractive to retail buyers.

New index launched for Bombay exchange

By Mark Nicholson in New Delhi

Crisil, India's first independent credit rating agency, has launched a 500-share index for the Bombay Stock Exchange, India's biggest, which it claims to be broader based and more representative than existing indices of the market's growth and changing composition.

The index has been designed to serve as a basis for futures and other derivatives trading, of which there are none so far in India. It is India's first index not to be compiled by a stock exchange and claims to cover 75 per cent of the 95 industrial groups, capitalised at $130bn, on the BSE.

The present benchmark index is the BSE 30-share Sensex index, which Crisil says captures just over 18 per cent of the market capitalisation and just 23 industrial groups.

Ms Anjali Forbes of Crisil said: "The market capitalisation has changed significantly in the past three or four years and the economic environment has entirely changed. We felt other indices did not reflect the market, new issues and new investors."

The index takes 1994 as its base year, indexed to a value of 1,000, and is hovering just above 600 in its first week. This is to reflect "the presence of larger issues – including public sector undertakings, banks and financial institutions – and broader participation of investors enjoined by foreign financial institutions and mutual funds". The BSE base year is 1978.

The Crisil 500 will draw on real-time BSE price data, and the credit rating agency says that snb-indices along sectoral, industrial or size-segmental bases would be available on subscription.

Sweden, IDB tap retail demand with peseta deals

By Antonia Sharpe

Spanish pesetas came into focus in the eurobond market yesterday as Sweden and the Inter-American Development Bank took advantage of demand for high-yielding paper from retail investors in Europe and Asia to raise Pta15bn and Pta10bn respectively.

The two deals, which follow a Pta10bn seven-year offering from DSL Finance last week, both pay a coupon of 8⅝ per cent. However, the stronger-rated IDB achieved a maturity of five years whereas Sweden had to settle for four years.

HSBC, which arranged Sweden's offering, said the strength of interest from Asia in high-yielding assets could encourage more issuers to tap the peseta sector. However, this market is still limited to supranational and sovereign borrowers or state-related financial entities.

Sweden, which bas not tapped the Spanish market for more than a year, is believed to be leaving the proceeds of the deal in pesetas.

Among the day's other deals, the widely-expected offering for Federal National Mortgage Association (Fannie Mae) emerged. The indicated pricing on the $1bn 10-year offering of 26 basis points over the yield on US Treasuries was in line with expectations. The bonds will be priced today.

INTERNATIONAL BONDS

The offering had a slow start but sales are expected to pick up due to the scarcity of 10-year dollar-denominated paper in the eurobond and the domestic US bond markets.

Merrill Lynch, joint-book runner on Fannie Mae's offering, said institutional investors had turned positive about 10-year honds as part of their strategy to extend down the yield curve in search of spread.

Merrill also noted that the 10-year area had not suffered from the same flood of issuance as the two to five-year sector in recent weeks.

Syndicate managers said a widening in the spreads of existing US agency 10-year paper suggested that investors were switching out of them to buy Fannie Mae's offering rather than commit new money.

The other issue that dealers talked about yesterday was the DM1bn 10-year offering from Helaba. The bonds were priced to yield 23 basis points over German government paper, just inside the pricing on a similar deal from the better-known L-Bank earlier this month.

As with other recent D-Mark issues, Helaba's honds were heading to investors in Asia, which have been the main buyers of sucb paper in recent weeks. Italy is thought to be considering raising DM2bn through a 10-year offering but dealers do not expect the offering soon in view of the government crisis at home.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Federal Natl.Mortgage Assoc.	1bn	(a)#	(a)R	Feb.2006	0.325R	+26(5⅝%-05)	Deutsche MG/Merrill Lynch
Goldman Sachs Group(b)‡	150	(b1)	99.90R	Feb.2001	0.30R	-	Goldman Sachs International
D-MARKS							
Helaba International Finance	1bn	6.00	99.545R	Feb.2006	0.325R	+23(6%-06)	IBJ (Deutschland)
Trans Power Finance	150	5.50	99.547R	Feb.2003	0.325R	+15(7¼%-03)	Citibank
YEN							
EBRD★	20bn	3.36	100.40	Feb.2011	0.40	-	Nomura International
STERLING							
DePfa Bank(s)	100	6.50	101.075	Dec.1998	1.375	-	HSBC Markets
FRENCH FRANCS							
Oesterreichische Kontrollbank	2bn	6.375	99.60R	Feb.2006	0.325R	+12(7¼%-06)	Banque Paribas
LUXEMBOURG FRANCS							
LB Rheinland-Pfalz, Lux.Branch	2bn	5.50	102.50	Mar.2002	1.875	-	BGL/Kredietbank
AUSTRALIAN DOLLARS							
Treasury Corp. of Victoria(l)★	250	5.00#	97.20	Mar.1998	1.25	-	Nikko Europe
PESETAS							
Kingdom of Sweden	15bn	8.625	101.511	Feb.2000	1.625	-	Argentaria/HSBC Markets
Inter-American Dev. Bank	10bn	8.625	101.28	Feb.2001	1.625	-	BSN/SBC Warburg
DANISH KRONER							
De NIB(s)	400	5.75	101.71	Dec.2000	1.875	-	Kredietbank
SWEDISH KRONOR							
Nordic Investment Bank	500	7.50	101.245	Feb.2001	1.875	-	Svenska Handelsbanken

Final terms, non-callable unless stated, Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) $300m launched 17/1/96 increased to $450m. Callable on coupon dates from Feb.98 at par. b1) 3-mth Libor +35bp. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.8900	-	8.10	8.19	8.26
Austria		6.500	11/05	102.4900	-0.100	8.15	6.21	8.53
Belgium		6.500	03/05	101.1700	-0.230	6.32	6.43	8.87
Canada *		8.750	12/05	112.1400	-0.160	7.02	7.13	7.23
Denmark		8.000	03/06	107.5800	-0.260	6.93	7.01	7.29
France	BTAN	7.000	10/00	106.6250	-0.130	5.36	5.50	5.93
	OAT	7.250	03/06	106.8300	-0.180	6.31	6.48	6.80
Germany Bund		6.000	01/06	101.2800	-0.040	5.83	5.88	8.07
Ireland		8.000	08/06	105.2500	-0.150	7.26	7.39	7.40
Italy		10.500	09/05	103.2300	-0.660	8.97†	10.30	10.94
Japan	No 129	6.400	03/00	117.9380	-0.170	1.75	1.75	1.32
	No 174	4.600	09/04	111.1320	-0.160	2.98	2.99	2.61
Netherlands		6.000	01/06	101.3600	-0.040	5.81	5.84	8.10
Portugal		11.875	02/05	116.0000	-0.010	8.18	9.47	10.21
Spain		10.150	01/06	105.1500	-	9.35	9.41	10.13
Sweden		8.000	02/05	86.1660	-1.530	8.23	8.16	8.66
UK Gilts		8.000	12/00	105-18	-7/32	6.65	6.80	6.80
		8.500	12/05	108-06	-8/32	7.32	7.40	7.40
		9.000	10/08	112-09	-9/32	7.48	7.55	7.57
US Treasury *		5.875	11/05	102-09	-2/32	5.57	5.76	5.88
		8.875	08/25	111-27	-2/32	6.01	6.17	8.04
ECU (French Govt)		7.500	04/05	105.5900	-0.190	6.66	8.79	7.08

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

		One month	5.27	Two year	5.06
Prime rate	8½	Two month	5.21	Three year	5.13
Broker loan rate	7¼	Three month	5.11	Five year	5.31
Fed.funds	5½	Six month	5.07	10-year	5.57
Fed.funds at intervention	-	One year	5.04	30-year	8.01

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	123.10	123.00	-0.10	123.28	122.96	92,641	125,724
Jun	123.62	123.52	-0.10	123.74	123.54	1,415	10,412
Sep	122.40	122.20	-0.10	122.56	122.40	20	1,963

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	Mar	Jun	PUTS Feb	Mar	Jun
119	-	-	-	-	0.08	-
120	3.00	3.15	-	-	0.12	0.50
121	2.04	-	-	0.02	0.24	0.73
122	1.05	1.49	2.56	0.03	0.47	1.03
123	0.22	0.84	-	0.20	0.82	1.37

Est. vol. total, Calls 24,575 Puts 17,040. Previous day's open int., Calls 181,155 Puts 174,879.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.85	100.86	-0.03	101.02	100.74	111720	231521
Jun	100.20	100.16	-0.00	100.22	100.10	361	9244

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
10050	0.41	0.83	0.71	1.12	0.05	0.47	1.05	1.46
10100	0.09	0.55	0.51	0.89	0.23	0.69	1.35	1.73
10150	0.02	0.34	0.35	0.69	0.66	0.96	1.69	2.03

Est. vol. total, Calls 20055 Puts 13540. Previous day's open int., Calls 241535 Puts 226038

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112.44	111.85	-1.12	112.59	111.75	40365	63443
Jun	111.90	111.42	-1.07	112.00	111.40	180	2498

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	Jun	PUTS Mar	Jun
11150	1.42	2.38	1.07	2.47
11200	1.18	2.14	1.31	2.72
11250	0.92	1.91	1.57	2.99

Est. vol. total, Calls 3755 Puts 3378. Previous day's open int., Calls 70447 Puts 57447

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	98.10	97.74	-0.30	98.18	97.62	74,603	56,217

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112-03	111-26	-0-09	112-08	111-22	43691	142623
Jun	111-17	111-05	-0-09	111-17	111-12	26	563

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
111	0-55	1-29	1-30	2-06	0-03	0-41	1-20	1-60
112	0-13	0-56	1-01	1-39	0-25	1-04	1-55	2-29
113	0-01	0-31	0-43	1-13	1-13	1-43	2-33	3-03

Est. vol. total, Calls 3507 Puts 2243. Previous day's open int., Calls 31791 Puts 29304

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	92.42	92.26	-0.18	92.48	92.26	1,141	8,568

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	121-14	121-02	-0-14	121-14	120-18	391,198	338,563
Jun	120-31	120-02	-0-14	120-31	120-15	5,294	23,140
Sep	120-14	120-14	-	120-14	120-14	218	5,648

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.46	-	-	119.46	118.33	2917	0
Jun	118.01	-	-	118.01	117.90	567	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jan 22	Day's change %	Fri Jan 19	Accrued interest	xd adj. ytd		Low coupon yield Jan 22	Jan 19	Yr. ago	Medium coupon yield Jan 22	Jan 19	Yr. ago	High coupon yield Jan 22	Jan 19	Yr. ago
1 Up to 5 years (22)	124.13	-0.04	124.18	2.56	0.12	5 yrs	8.73	6.68	8.70	6.78	6.72	8.72	8.84	6.80	8.92
2 5-15 years (21)	152.27	-0.20	152.57	2.60	0.00	15 yrs	7.55	7.53	8.81	7.60	7.57	8.73	7.71	7.68	8.85
3 Over 15 years (9)	168.49	-0.21	168.84	2.35	1.02	20 yrs	7.68	7.66	8.57	7.70	7.68	8.73	7.77	7.75	8.88
4 Irredeemables (6)	194.14	+0.02	194.10	2.11	0.00	Irred.†	7.78	7.78	8.61						
5 All stocks (57)	146.57	-0.15	146.78	2.58	0.21										

Index-linked	Mon Jan 22	Day's change %	Fri Jan 19	Accrued interest	xd adj. ytd		Inflation 5% Jan 22	Jan 19	Yr. ago	Inflation 10% Jan 22	Jan 19	Yr. ago
6 Up to 5 years (1)	198.06	+0.01	198.04	2.13	0.00	Up to 5 yrs	2.43	2.43	4.07	1.15	1.15	2.73
7 Over 5 years (11)	190.57	-0.01	190.59	1.09	0.00	Over 5 yrs	3.50	3.49	3.94	3.29	3.29	3.74
8 All stocks (12)	190.61	-0.01	190.62	1.12	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 22	Jan 19	Jan 18	Jan 17	Jan 16	Yr ago	High*	Low*
Govt. Secs. (UK)	96.20	96.22	96.34	95.97	95.96	90.57	96.34	90.22
Fixed Interest	115.23	115.01	114.89	114.87	114.54	109.20	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 18	Jan 18	Jan 17	Jan 16	Jan 15
Gilt Edged bargains	101.9	101.6	99.7	84.5	81.2
5-day average	95.8	93.2	91.2	89.4	86.2

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
[illegible]	7.68	7.31	105$\frac{1}{16}$	-$\frac{3}{16}$	108$\frac{13}{32}$	97⅞
[illegible]	7.41	7.32	101$\frac{5}{16}$	-$\frac{5}{16}$	101$\frac{13}{16}$	94$\frac{13}{16}$

Index-Linked (b): [illegible]

Other Fixed Interest: [illegible]

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅝	99¾		5.38
Abbey Natl Treasury 6½ 03	1000	102¾	103	-⅛	6.02
ABN Amro Bank 7¼ 05	1000	107½	107¾	-⅛	6.26
African Dev Bk 7⅜ 23	500	107⅜	107¾	-⅛	6.79
Sweden 8 97	2500	107¼	107⅜		3.72
United Kingdom 7⅛ 97	5500	106	109		3.55
Volkswagen Intl Fin 7 03	1000	105⅝	105	-⅛	6.02
World Bank 0 15	2000	31⅜	31¼	-⅛	6.04
World Bank 5⅞ 00	3000	101⅝	101¾	-⅛	5.61
Abbey Natl Treasury 8 03 £	1000	102⅛	102⅜	-⅛	7.60
Alliance Leics 11⅜ 97 £	100	105	106⅜		6.34
British Land 8⅞ 23 £	150	93½	94	-⅜	8.77
Denmark 8¾ 98 £	800	100⅝	100⅞		6.46
EIB 8 09 £	1000	103⅜	103½	-¼	7.36

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar weakens despite G7 comments

By Graham Bowley

Worries about the US budget stalemate and a bout of profit-taking pushed the dollar lower yesterday despite weekend statements from the Group of Seven finance ministers which welcomed the currency's recent rally.

After starting strongly, the dollar drifted lower through most of the European session allowing the D-Mark to retrieve some of the ground it has lost this year to the US currency.

The D-Mark also pushed higher against the higher-yielding European currencies which have posted impressive gains against the German currency in recent sessions.

Comments by Mr Hans Tietmeyer, Bundesbank president, that another cut in German interest rates would depend on further subdued M3 money supply growth supported the D-Mark at the dollar's expense.

Analysts said Mr Tietmeyer's remarks suggested that German interest rates were not going to fall as soon or as quickly as many in the markets were anticipating.

The Italian lira suffered as traders began to focus again on the country's political troubles. The Swedish krona fell against the D-Mark after the government unveiled plans to cut unemployment. The announcement of the plans also caused a sell-off in the Swedish government bond market.

The Swiss franc rallied strongly as it benefited from the general move out of the higher-yielding European currencies into "core" European countries.

■ The dollar finished in London at DM1.4755, from DM1.479.

■ Pound in New York

Jan 22	Latest	Prev. close
£ spot	1.5135	1.5080
1 mth	1.5124	1.5069
3 mth	1.5106	1.5050
1 yr	1.5008	1.4950

Against the yen, it closed at Y105.7850 from 105.4.

The lira closed at L1,077 against the D-Mark, from L1,072.

The French franc finished slightly weaker against the D-Mark, at FFr3.418, from FFr3.413.

Sterling succeeded in gaining some ground against other currencies despite the weaker tone to the dollar.

Data showing a 0.4 per cent rise in UK gross domestic product in the final quarter of last year was seen by economists as justifying last week's quarter point cut in base rates.

The pound finished at DM2.2353 from DM2.234 against the D-Mark. Against the dollar, it finished at $1.5149 from $1.510.

Sterling's trade-weighted exchange rate index closed at 82.9 from 82.8 at the previous close.

■ Comments from G7 finance ministers in Paris at the weekend suggested they were satisfied with the direction of the currency markets so far this year and that they would welcome a further strengthening of the dollar.

But analysts doubted whether the authorities would take any concrete action to lift the US currency.

Mr Mark Cliffe, economist at HSBC Markets in London, said: "We are sceptical of the dollar's rally and we find it difficult to believe that these comments are going to be backed up by any action."

Most analysts nevertheless interpreted yesterday's decline in the US currency as only a temporary set-back due in the main part to profit-taking.

Mr Adrian Cunningham, currency strategist at UBS in London, said that worries over the US budget were being overdone and that the dollar would rally later this week even though the budget stand-off between the Republican-controlled Senate and the White-house was likely to intensify.

Mr Lee Ferridge, currency strategist at NatWest Markets, agreed that there was scope for the dollar to rebound. "For the rest of this week, the market will buy the dollar against European currencies," he said. He said the dollar could reach DM1.50 against the D-Mark.

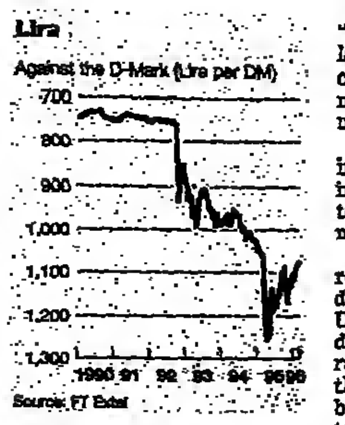
But Mr Cliffe said he was doubtful that the dollar's rally would be sustained.

He said that too large a policy easing had been discounted by the markets while too little attention had been paid to the slowdown in the US economy. He predicted that there was likely to be a further cut in US interest rates at the FOMC meeting next week.

Mr Tietmeyer also reinforced the view that fears about the German slowdown were being exaggerated when he said yesterday that he was optimistic about German economic growth prospects.

Mr Tietmeyer said that a more stable D-Mark should help support a revival of Germany's export industry which had suffered from a strong D-Mark last year.

Lira



Source: FT Extel

■ OTHER CURRENCIES

Jan 22	£	$
Czech Rp	41.1062 - 41.1377	27.1400 - 27.1500
Hungary	212.120 - 212.340	140.080 - 140.140
Iran	4546.50 - 4549.30	3000.00 - 3008.00
Kuwait	0.4491 - 0.4496	0.2998 - 0.3000
Poland	3.8260 - 3.8326	2.5329 - 2.5340
Russia	7133.58 - 7133.77	4708.00 - 4710.00
U.A.E.	5.5630 - 5.5655	3.6723 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7177	+0.0077	099 - 255	15.7329	15.6596	15.6742	3.3	15.6302	2.2	-	-	108.1
Belgium	(BFr)	45.9575	+0.0836	267 - 883	45.8885	45.5420	45.8425	3.0	45.6575	2.8	44.7975	2.5	108.4
Denmark	(DKr)	8.6469	+0.0064	461 - 536	8.6574	8.6161	8.6361	1.9	8.6112	1.8	8.5114	1.8	108.1
Finland	(FM)	6.8543	+0.0723	472 - 613	6.8640	6.7540	6.8498	0.8	6.8418	0.7	-	-	88.4
France	(FFr)	7.6387	+0.0143	374 - 418	7.6459	7.6079	7.6275	1.9	7.6087	1.7	7.6278	1.5	110.1
Germany	(DM)	2.2353	+0.0013	342 - 363	2.2385	2.2242	2.2296	2.8	2.2201	2.7	2.1778	2.6	110.6
Greece	(Dr)	368.045	+0.903	396 - 194	368.194	365.888	-	-	-	-	-	-	66.1
Ireland	(I£)	0.9630	+0.0001	621 - 646	0.9653	0.9609	0.963	1.1	0.9618	1.0	0.9676	0.7	97.8
Italy	(L)	2407.66	+13.86	603 - 923	2409.23	2387.64	2414.81	-3.5	2428.06	-3.3	2482.96	-3.1	72.6
Luxembourg	(LFr)	45.9575	+0.0836	267 - 883	45.8885	45.5420	45.8425	3.0	45.6575	2.8	44.7975	2.5	108.4
Netherlands	(Fl)	2.5031	+0.0031	019 - 043	2.5056	2.4942	2.4950	3.4	2.4855	3.1	2.4326	2.8	108.5
Norway	(NKr)	9.7835	+0.0136	896 - 973	9.8226	9.7266	9.7654	1.2	9.7618	1.2	9.6807	1.2	95.6
Portugal	(Es)	231.219	+0.203	098 - 341	231.842	230.365	231.644	-2.2	232.546	-2.3	-	-	95.7
Spain	(Pta)	186.378	+0.215	268 - 421	186.818	187.814	186.663	-3.1	188.006	-3.0	194.033	-3.0	82.1
Sweden	(SKr)	10.3445	+0.1901	349 - 540	10.3640	10.1261	10.3484	-0.2	10.35	-0.2	10.3602	-0.2	86.5
Switzerland	(SFr)	1.7980	-0.0046	969 - 990	1.8076	1.7965	1.791	4.7	1.7775	4.5	1.7215	4.3	115.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.9
Ecu	-	1.2130	+0.003	134 - 135	1.2135	1.2036	1.2119	1.1	1.2096	1.1	1.2017	0.8	-
SDR†	-	1.033300	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5147	+0.0049	143 - 150	1.5173	1.5080	-	-	-	-	-	-	-
Brazil	(R$)	1.4759	+0.007	752 - 766	1.4766	1.4665	-	-	-	-	-	-	-
Canada	(C$)	2.0743	+0.0134	735 - 751	2.0751	2.0593	2.073	0.6	2.0699	0.5	2.0625	0.6	84.0
Mexico	(New Peso)	11.0967	-0.1113	868 - 064	11.3133	11.0868	-	-	-	-	-	-	-
USA	($)	1.5149	+0.0044	146 - 152	1.5179	1.5085	1.5136	0.9	1.5116	0.8	1.5026	0.8	95.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0708	+0.0185	697 - 718	2.0719	2.0436	2.0723	-0.8	2.0781	-1.0	2.0926	-1.1	88.8
Hong Kong	(HK$)	11.7125	+0.0347	084 - 155	11.7349	11.6630	11.7054	0.7	11.6974	0.5	11.6708	0.4	-
India	(Rs)	54.2782	+0.0595	454 - 123	54.4170	54.1700	-	-	-	-	-	-	-
Israel	(Shk)	4.7327	+0.0146	281 - 373	4.7398	4.7159	-	-	-	-	-	-	-
Japan	(Y)	160.208	+1.114	124 - 293	160.310	158.800	159.373	6.3	157.868	5.8	151.528	5.4	137.6
Malaysia	(M$)	3.8683	+0.015	668 - 698	3.8734	3.8492	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2786	+0.0066	768 - 802	2.2881	2.2654	2.2815	-1.6	2.2885	-1.7	2.3127	-1.5	105.1
Philippines	(Peso)	39.6801	+0.1001	295 - 907	39.8907	39.6295	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6816	+0.0166	804 - 831	5.6927	5.6579	-	-	-	-	-	-	-
Singapore	(S$)	2.1560	+0.008	548 - 572	2.1572	2.1451	-	-	-	-	-	-	-
South Africa	(R)	5.5245	+0.0175	222 - 267	5.5274	5.5012	-	-	-	-	-	-	-
South Korea	(Won)	1195.71	+2.57	532 - 610	1198.53	1191.60	-	-	-	-	-	-	-
Taiwan	(T$)	41.5575	+0.1985	470 - 680	41.6178	41.3691	-	-	-	-	-	-	-
Thailand	(Bt)	38.3270	+0.1113	042 - 497	38.3950	38.1700	-	-	-	-	-	-	-

† Rates for Jan 19 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.3754	-0.0251	723 - 785	10.4110	10.3670	10.3699	1.8	10.3279	1.8	10.2054	1.6	105.9
Belgium	(BFr)	30.3370	-0.033	240 - 500	30.4500	30.1700	30.285	2.1	30.1845	2.8	29.822	1.7	107.9
Denmark	(DKr)	5.7099	-0.0104	085 - 112	5.7261	5.6974	5.7048	1.1	5.6954	1.0	5.7174	-0.1	108.0
Finland	(FM)	4.5248	+0.0347	208 - 288	4.5263	4.4866	4.5198	1.3	4.5109	1.2	4.4821	0.9	85.1
France	(FFr)	5.0430	-0.0093	425 - 435	5.0586	5.0350	5.0479	-1.2	5.0558	-1.0	5.009	0.7	109.5
Germany	(DM)	1.4755	-0.0035	751 - 759	1.4806	1.4727	1.4751	2.0	1.4684	1.9	1.449	1.8	109.7
Greece	(Dr)	242.950	-0.05	900 - 000	243.375	241.750	244.825	-6.3	247.875	-6.1	266.7	-4.1	65.6
Ireland	(I£)	1.5718	+0.0045	708 - 727	1.5743	1.5648	1.5723	-0.3	1.5727	-0.2	1.5898	0.2	-
Italy	(L)	1589.3	+4.57	880 - 980	1592.04	1581.30	1596.37	-5.2	1606.42	-4.9	1658.42	-4.4	72.4
Luxembourg	(LFr)	30.3370	-0.033	240 - 500	30.4500	30.1700	30.285	2.1	30.1845	2.8	29.822	1.7	107.9
Netherlands	(Fl)	1.6523	-0.0028	518 - 528	1.6577	1.6479	1.648	2.4	1.6427	2.5	1.62	2.0	107.6
Norway	(NKr)	6.4648	-0.0097	635 - 660	6.4910	6.4305	6.4626	0.4	6.4548	0.6	6.4373	0.4	97.3
Portugal	(Es)	152.630	-0.31	580 - 680	153.130	152.480	153.005	-2.9	153.775	-3.0	157.38	-3.1	95.6
Spain	(Pta)	124.350	-0.22	300 - 400	124.830	124.250	124.745	-3.8	125.48	-3.6	128.97	-3.7	81.8
Sweden	(SKr)	6.8285	+0.109	235 - 334	6.7428	6.6972	6.8456	-3.0	6.875	-2.7	7.0126	-2.7	87.3
Switzerland	(SFr)	1.1869	-0.0056	864 - 873	1.1943	1.1863	1.1831	3.3	1.1759	3.7	1.1464	3.4	114.0
UK	(£)	1.5149	+0.0044	146 - 152	1.5179	1.5085	1.5136	0.9	1.5118	0.8	1.5026	0.8	82.2
Ecu	-	1.2460	+0.0006	486 - 489	1.2550	1.2471	1.2493	-0.3	1.2497	-0.2	1.2509	-0.1	-
SDR†	-	1.46400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	+0.0003	995 - 996	0.9998	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9743	+0.0018	740 - 745	0.9745	0.9725	-	-	-	-	-	-	-
Canada	(C$)	1.3693	+0.0049	690 - 695	1.3695	1.3620	1.3695	-0.1	1.3698	-0.1	1.3748	-0.4	83.5
Mexico	(New Peso)	7.3250	-0.065	200 - 300	7.4300	7.3200	7.3273	-0.4	7.3304	-0.3	7.3353	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3669	+0.0062	665 - 674	1.3674	1.3565	1.3689	-1.8	1.3724	-1.8	1.3911	-1.8	87.3
Hong Kong	(HK$)	7.7315	+0.0004	310 - 320	7.7320	7.7310	7.7322	-0.1	7.734	-0.1	7.781	-0.4	-
India	(Rs)	35.8300	-0.065	150 - 450	35.9500	35.8150	35.96	-5.0	36.285	-5.1	37.755	-5.4	-
Israel	(Shk)	3.1241	+0.0006	217 - 265	3.1291	3.1217	-	-	-	-	-	-	-
Japan	(Y)	105.755	+0.43	720 - 790	105.970	105.320	105.27	5.5	104.455	5.0	101.1	4.4	138.7
Malaysia	(M$)	2.5535	+0.0025	530 - 540	2.5560	2.5493	2.5544	-0.4	2.5606	-1.1	2.584	-1.2	-
New Zealand	(NZ$)	1.5040	-	033 - 048	1.5049	1.5035	1.5071	-2.5	1.5129	-2.4	1.5375	-2.2	-
Philippines	(Peso)	26.1800	-0.01	650 - 950	26.2100	26.1650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.7561	-0.1	-
Singapore	(S$)	1.4232	+0.0012	227 - 287	1.4237	1.4200	1.4197	3.0	1.4137	2.7	1.3882	2.5	-
South Africa	(R)	3.8468	+0.001	460 - 475	3.8493	3.8445	3.8756	-9.5	3.9727	-8.8	3.9503	-8.3	-
South Korea	(Won)	788.300	-0.8	200 - 400	788.900	788.000	792.3	-4.6	795.8	-8.3	814.3	-3.2	-
Taiwan	(T$)	27.4325	+0.0105	310 - 340	27.4340	27.4240	27.4525	-0.9	27.4925	-0.9	-	-	-
Thailand	(Bt)	25.3000	-	800 - 100	25.3200	25.2900	25.3987	-4.7	25.6025	-4.8	25.485	-4.7	-

† SDR rate per $ for Jan 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 19: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅞	3⅝	3½	3¼	3¼	7.00	3.00	-
week ago	3⅞	3⅝	3⅝	3⅝	3⅝	7.00	3.00	-
France	4⅝	4¼	4¼	4¼	4¼	4.20	-	5.60
week ago	4¼	4¼	4¼	4¼	4¼	4.45	-	5.85
Germany	3⅝	3⅝	3⅝	3⅝	3⅝	6.00	3.00	3.65
week ago	3⅝	3⅝	3⅝	3⅝	3⅝	5.00	3.00	3.73
Ireland	5¼	5⅝	5⅝	5⅝	5⅝	-	-	6.25
week ago	5⅝	5⅝	5⅝	5½	5⅝	-	-	6.25
Italy	9⅝	9⅝	9⅝	9⅝	9⅝	-	9.00	10.48
week ago	10⅛	9⅝	9⅝	9⅝	9⅝	-	9.00	10.48
Netherlands	3⅛	3⅛	3⅛	3⅛	3⅛	-	3.00	3.30
week ago	3⅝	3⅛	3⅛	3⅛	3⅛	-	3.00	3.40
Switzerland	1½	1⅝	1⅝	1⅝	1⅝	5.00	1.50	-
week ago	1⅝	1⅝	1⅝	1⅝	1⅝	5.00	1.50	-
US	5⅝	5⅝	5⅝	5⅝	5⅝	-	5.25	-
week ago	5⅝	5⅝	5⅝	5⅝	5⅝	-	5.25	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅝	5⅝	5⅝	5⅝	-	-	-
week ago	-	5⅝	5⅝	5⅝	5⅝	-	-	-
US Dollar CDs	-	5.30	5.23	5.14	4.99	-	-	-
week ago	-	5.30	5.32	5.26	5.19	-	-	-
ECU Linked Ds	-	4⅝	4⅝	4⅝	4⅝	-	-	-
week ago	-	4⅝	4⅝	4⅝	4⅝	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	3⅝	-	-	-
week ago	-	3⅝	3⅝	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3½	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜
Danish Krone	4⅞ - 4⅝	4¾ - 4½	4⅝ - 4⅝	4½ - 4¼	4½ - 4¼	4½ - 4⅜
D-Mark	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3½	3½ - 3⅜	3⅝ - 3⅝	3⅝ - 3¼
Dutch Guilder	3⅜ - 3¼	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3⅝
French Franc	4⅝ - 4⅜	4⅞ - 4⅝	4½ - 4⅜	4⅝ - 4⅝	4⅝ - 4⅝	4⅝ - 4⅝
Portuguese Esc.	8⅝ - 8½	8⅝ - 8⅜	8⅝ - 8⅝	8⅝ - 8⅝	8⅛ - 8	8⅛ - 8
Spanish Peseta	8⅝ - 8⅝	8⅝ - 8⅝	8⅝ - 8⅝	8⅝ - 8⅝	8⅝ - 8⅝	8⅝ - 8⅝
Sterling	6⅜ - 6¼	6⅜ - 6¼	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝	6⅝ - 6⅝
Swiss Franc	1⅞ - 1⅝	1⅞ - 1¾	1⅝ - 1⅝	1¾ - 1⅝	1⅝ - 1⅝	1⅝ - 1⅝
Can. Dollar	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝
US Dollar	5½ - 5⅜	5⅝ - 5⅝	5½ - 5⅜	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5
Italian Lira	10½ - 9½	9⅝ - 9⅝	9⅝ - 9⅝	9⅝ - 9⅝	9⅝ - 9⅝	9⅝ - 9⅝
Yen	⅝ - ⅝	⅝ - ⅝	⅝ - ⅝	⅝ - ⅝	½ - ⅜	⅝ - ½
Asian $Sing	3¼ - 3⅛	2⅞ - 2¾	2⅝ - 2⅝	2⅝ - 2⅝	2⅝ - 2⅝	3 - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.49	95.40	-0.05	95.50	95.39	22,182	51,413
Jun	95.69	95.62	-0.04	95.69	95.61	5,482	50,211
Sep	95.74	95.69	-0.02	95.74	95.67	3,145	30,800

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.67	96.65	-0.02	96.68	96.64	16858	179132
Jun	96.80	96.78	-0.03	96.81	96.77	23597	186720
Sep	96.80	96.75	-0.06	96.81	96.75	17903	150506
Dec	96.68	96.61	-0.07	96.68	96.60	17907	145644

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.72	90.47	-0.27	90.73	90.45	14304	49921
Jun	91.10	90.87	-0.28	91.15	90.86	5984	28803
Sep	91.34	91.27	-0.21	91.38	91.24	1168	18260
Dec	91.42	91.37	-0.22	91.48	91.37	1053	8827

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.34	98.21	-0.14	98.34	98.17	13740	25062
Jun	98.37	98.25	-0.13	98.37	98.20	5026	18589
Sep	98.31	98.20	-0.13	98.31	98.17	1640	8858
Dec	98.10	98.00	-0.13	98.10	98.00	1478	4242

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.40	95.38	-0.05	95.40	95.36	1852	8439
Jun	95.59	95.56	-0.04	95.59	95.56	1048	4914
Sep	95.60	95.58	-0.04	95.62	95.59	252	2700
Dec	95.51	95.49	-0.03	95.52	95.49	325	2550

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9025	0.42	0.91	1.30	0.20	0.16	0.28
9050	0.28	0.73	1.09	0.29	0.26	0.32
9075	0.15	0.56	0.90	0.43	0.34	0.36

Est. vol. total, Calls 527 Puts 325. Previous day's open int., Calls 15980 Puts 15138

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.62	4.863	2.097	5237	5.446	21.31	503.0	409.9	22.50	3.912	2.178	4.513	3.296	348.6	2.636
Denmark	(DKr)	53.14	10	8.832	2.584	1.115	2783	2.894	11.32	267.3	217.8	11.96	2.079	1.158	2.398	1.752	185.2	1.402
France	(FFr)	60.16	11.32	10	2.926	1.262	3151	3.277	12.82	302.7	246.6	13.54	2.354	1.309	2.715	1.983	209.7	1.586
Germany	(DM)	20.56	3.870	3.416	1	0.431	1077	1.120	4.382	103.4	84.30	4.626	0.804	0.447	0.928	0.678	71.68	0.543
Ireland	(I£)	47.68	8.972	7.924	2.316	1	2497	2.598	10.16	239.8	195.4	10.73	1.865	1.037	2.151	1.572	166.2	1.258
Italy	(L)	1.909	0.359	0.317	0.093	0.040	100.	0.104	0.407	9.605	7.827	0.430	0.075	0.042	0.086	0.063	6.656	0.050
Netherlands	(Fl)	18.36	3.455	3.052	0.893	0.385	961.8	1	3.913	92.37	75.27	4.131	0.718	0.400	0.829	0.605	64.00	0.485
Norway	(NKr)	46.93	8.831	7.800	2.282	0.984	2458	2.556	10	236.1	192.4	10.56	1.836	1.021	2.116	1.547	163.6	1.239
Portugal	(Es)	19.88	3.741	3.304	0.967	0.417	1041	1.083	4.236	100.	81.49	4.472	0.778	0.433	0.897	0.655	69.29	0.525
Spain	(Pta)	24.39	4.591	4.055	1.186	0.512	1278	1.329	5.199	122.7	100.	5.488	0.954	0.531	1.101	0.804	85.03	0.644
Sweden	(SKr)	44.45	8.365	7.388	2.162	0.932	2328	2.421	9.472	223.6	182.2	10	1.739	0.967	2.006	1.465	154.9	1.173
Switzerland	(SFr)	25.56	4.810	4.249	1.243	0.536	1339	1.392	5.447	128.6	104.8	5.751	1	0.556	1.154	0.843	89.10	0.675
UK	(£)	45.96	8.648	7.639	2.235	0.964	2407	2.503	9.794	231.2	188.4	10.34	1.798	1	2.074	1.515	160.2	1.213
Canada	(C$)	22.10	4.170	3.683	1.078	0.465	1161	1.207	4.722	111.5	90.84	4.986	0.867	0.482	1	0.730	77.24	0.585
US	($)	30.34	5.709	5.042	1.476	0.636	1589	1.652	6.465	152.6	124.4	6.825	1.187	0.660	1.369	1	105.7	0.801
Japan	(Y)	28.69	5.399	4.768	1.395	0.602	1502	1.562	6.114	144.3	117.6	6.454	1.122	0.624	1.295	0.946	100.	0.757
Ecu		37.89	7.130	6.296	1.843	0.795	1984	2.063	8.074	190.0	155.3	8.524	1.482	0.824	1.710	1.249	132.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6771	0.6784	+0.0013	0.6787	0.6743	32,022	80,214
Jun	0.6804	0.6814	+0.0005	0.6818	0.6802	323	3,246
Sep	-	0.6833	-	-	-	10	1,358

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9558	0.9526	-0.0043	0.9581	0.9500	14,025	78,849
Jun	0.9630	0.9634	-0.0048	0.9634	0.9620	377	3,425
Sep	-	0.9730	-	-	0.9730	91	651

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8428	0.8450	+0.0026	0.8450	0.8411	13,938	42,295
Jun	0.8513	0.8520	+0.0021	0.8520	0.8509	96	1,007
Sep	-	0.8568	-	-	-	1	88

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5082	1.5112	+0.0044	1.5128	1.5032	16,788	43,058
Jun	1.5080	1.5090	+0.0050	1.5110	1.5050	108	225
Sep	-	1.5070	+0.0062	1.5070	-	4	3

UK INTEREST RATES

LONDON MONEY RATES

Jan 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅞ - 4	6⅛ - 6⅝	6⅜ - 6⅜	6⅜ - 6⅜	6⅜ - 6⅛	6⅛ - 6
Sterling CDs	-	-	6⅜ - 6⅜	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅜
Treasury Bills	-	-	6⅛ - 6⅜	6⅛ - 6⅜	-	-
Bank Bills	-	-	6⅛ - 6⅜	6⅛ - 6⅜	6⅛ - 6	-
Local authority deps.	6⅜ - 6⅜	6⅜ - 6⅜	6⅜ - 6⅜	6⅜ - 6⅜	6¼ - 6⅛	6⅛ - 6
Discount Market deps	6¼ - 6	6⅜ - 6⅞	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 5.9868pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1996 to Feb 25, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.552pc. Finance House Base Rate 7pc from January 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.92	93.93	+0.01	93.93	93.91	6696	93694
Jun	94.13	94.13	-	94.14	94.11	11485	79818
Sep	94.18	94.14	-0.03	94.17	94.12	7913	63831
Dec	94.04	94.00	-0.04	94.04	93.98	4871	44172
Mar	93.82	93.77	-0.06	93.82	93.76	2813	29186

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.21	0.45	0.55	0.03	0.07	0.18
9400	0.05	0.27	0.39	0.12	0.14	0.25
9425	0.01	0.13	0.25	0.33	0.25	0.36

Est. vol. total, Calls 4522 Puts 6807. Previous day's open int., Calls 122818 Puts 115776

EMS EUROPEAN CURRENCY UNIT RATES

Jan 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.296	-0.08	-1.97	4.71	14
Netherlands	2.15214	2.11695	+0.00084	-1.64	4.36	12
Belgium	39.3960	38.8607	+0.0287	-1.36	4.07	10
Austria	13.4383	13.2927	+0.0041	-1.08	3.78	8
Germany	1.91007	1.89038	+0.0007	-1.03	3.72	10
Portugal	195.792	195.523	-0.079	-0.14	2.79	1
Denmark	7.28580	7.31454	+0.00482	0.39	2.25	-3
France	6.40608	6.45551	-0.00244	0.77	1.87	-6
Ireland	0.792214	0.813218	-0.001948	2.65	0.00	-19
NON ERM MEMBERS						
Greece	292.867	311.054	+0.301	6.21	-3.35	-
Italy	2106.15	2030.96	+2.32	-3.57	6.45	-
UK	0.786652	0.843605	-0.001758	7.27	-4.30	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	1.69	2.31	2.83	1.15	1.88	2.41
1.510	1.18	1.81	2.39	1.59	2.39	2.88
1.520	0.75	1.40	1.97	2.20	2.92	3.45
1.530	0.46	1.05	1.60	2.85	3.39	4.07
1.540	0.35	0.77	1.28	3.63	4.10	4.75
1.550	0.20	0.55	1.01	4.48	4.87	5.47

Previous day's vol., Calls 12,981 Puts 13,808 . Prev. day's open int., Calls 145,282 Puts 183,922

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.71	94.71	-0.01	94.71	94.69	100,140	448,036
Jun	95.05	95.04	-0.03	95.06	95.03	144,892	441,400
Sep	95.20	95.17	-0.03	95.20	95.18	92,205	282,363

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.22	95.22	-0.02	95.32	95.21	796	8,613
Jun	95.49	95.48	-0.03	95.49	95.48	590	6,216
Sep	-	95.61	-0.01	-	95.51	3	566

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9650	0.17	0.18	0.32	0.34	0.02	0.03	0.04	0.06
9675	0.03	0.04	0.13	0.17	0.13	0.14	0.10	0.14
9700	0	0.01	0.04	0.07	0.35	0.36	0.26	0.29

Est. vol. total, Calls 4571 Puts 1315. Previous day's open int., Calls 247422 Puts 246225

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	0.29	0.35	0.49	0.05	0.10	0.23
9825	0.10	0.18	0.26	0.14	0.16	0.31
9850	0.04	0.08	0.18	0.33	0.33	0.48

Est. vol. total, Calls 24 Puts 0. Previous day's open int., Calls 8865 Puts 3349

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.25	Royal Bk of Scotland	6.50
Allied Trust Bank	6.25	Exeter Bank Limited	7.50	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.75	NatWestminster	6.25		
		●Rea Brothers	6.25		

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		542xd	+12	585	476½	5,804	5.4	16.6
Bulmer (HP)		508xd	—	510	382	368.2	3.0	15.9
Burn St Dist		129	—	149	99	74.1	5.8	26.9
Grand Met		455xd	+3	467	357	9,544	4.1	16.9
Guinness		473	+3	506	404	9,578	3.7	14.7
Highland		320	–5	216	217	428.2	3.1	14.5
Kirin Y		735¼	–13½	775½	621	7,949	6.6	29.8
Macallan-Glen		160	–18	217	160	182.6	1.0	35.5
Macdon Martin A		635	—	700	600	87.0	2.1	17.6
Matthew Clark		668	–7	694	539	508.1	4.2	–
Merrydown		108	—	140	88	11.8	2.3	–
Seagram 0		£23¼	–⅜	£25⅝	£16⅞	6,478	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Pf		50¼	—	98	50¼	8.31	16.8	–
Cater Allen		474	+4	525	416	154.5	7.9	7.8
Close Bros		337	—	340½	217¼	811.8	3.3	14.0
Gerrard & Nat		471	+4	476	395	229.8	6.0	15.2
Hambros		201	+1	242	180	395.4	4.7	–
7½pc Cv Pf		102	—	112	94	131.4	0.2	–
Joseph (L.)		453	—	453	353	24.0	5.2	15.6
King & Shaxson		148	—	162	85	38.5	7.7	11.3
Rea Brothers		63	—	67	45	31.4	1.9	26.0
Schroders		1335	—	1478	906¼	2,015	1.3	19.0
N/V		1080	—	1180	823¼	486.4	1.7	15.1
Singer & Fried		102	—	111	81	201.2	4.5	10.6

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£34	—	£34	£29	2,266	2.5	16.4
Barlow	♣	£10½	-⅛	£10½	£4⅞	2,104	1.4	Φ
Gold Flds Prop R		160	—	160	136	16.4	8.8	7.0
NK Props.		85	—	93	85	3.74	13.1	-
SASOL	♥	606	-3	648	495	3,648	2.3	-
SA Brews		£28	+½	£28	£12½	7,857	1.4	34.2
Standard Bank	□	£21½	-⅛	£22⅛	£20⅜	3,794	1.5	21.4
Tiger Oats		1200	—	1200	700	1,805	1.0	Φ
Tongaat-Hulett	†	1247	+6	1247	636	1,171	1.6	23.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- Highs and lows marked thus have been adjusted to allow for capital changes
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
Φ Figures or report awaited
♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below.
※ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
& Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield Gr's

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 · Jersey 01534 71696
Private Clients 0800 414161 · 00 352 250404200
From O'seas (44) 1732 777377 · Hong Kong (852) 848 1000

Prices for dealing January 22

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda · 001 809 292 2780
Jupiter Tyndall World Umbrella Fund Ltd

Eurobond	$16.05	16.90	-0.02	2.84
Money (U)	[illegible]	[illegible]	[illegible]	[illegible]
Mortgage (U)	[illegible]	[illegible]	[illegible]	[illegible]
North American	[illegible]	[illegible]	[illegible]	–
Overseas	[illegible]	[illegible]	[illegible]	–
Tiger	[illegible]	[illegible]	[illegible]	–
UK Small Cos	[illegible]	[illegible]	[illegible]	0.00

Newport Investment Management
73 Front Street, Hamilton, Bermuda
UK 0171 930 8000 · Dealing 01481 726268

Orion Fund Limited
5 Front St., Hamilton HM11, Bermuda · 441 292 6370
Orion Jan 18 · 528.95

BERMUDA (REGULATED)(**)

Bermuda Intl Invmnt Mgmnt Ltd

Butterfield Management Co Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Equitable International Management Ltd

Guinness Flight Fund Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey · 01481 723021
Global Funds
Intl Currencies Fd Ltd
Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey · 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey · 01481 710651

GUERNSEY (REGULATED)(**)

Selling Price | Buying Price | + or - | Yield Gross

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt
CUCIM Trust · £1.0416 · 0.66

Consulta (Channel Islands) Limited

Dantrust Management (Guernsey) Ltd

Guernsey Capital Management Limited

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Dunedin Unit Trust Managers (Ireland) Ltd

Federated International Funds Plc (a)

The Fiduciary Trust Global Fund

GAM Fund Management Ltd (u)
65-68 Lower Mount St, Dublin 2, Ireland

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management PLC

Morgan Grenfell Investment Funds Ltd (u)

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

Bordier Invest (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Calypso Fund

Capital Vision Fund Plc

Kleinwort Benson Bond Arbitrage Fund Plc

Korea Balanced Rebarn Fund

Korea Emerging Growth Fund Plc

Korean Preferred Share Fund

LGT Asset Management PLC

Morgan Grenfell Fund Income Funds Plc

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc (u)

Yellow Sea Investment Company PLC

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1600)F

Ashburton Global Funds Ltd (1200)

Bank of Ireland Asset Mngmt (IOM) Ltd

Gartmore Fund Managers (IoM) Ltd

Sun Life Investment (IoM) Ltd

Ulster Bank Global Funds Plc

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Mngmt (IOM) Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Sphinx International Fund Managers Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Managers Intl Ltd (a)

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Standard Bank Fund Mngrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

Citibank (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Jupiter Tyndall Group

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Fund Managers (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

Schroder Investment Management

Singer & Friedlander Inv Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Abtrust Fund Mgrs Luxembourg SA (u)

American Express Investment Portfolios

Bank Von Ernst & Cie AG

Banque Indosuez Luxembourg

Commercial Union Luxembourg SA (u)

Danske Fund (u)
2, rue du Fossé, L-2011, Luxembourg · 00 352 461275024

Den norske Bank

Dolphin Intl Investments (u) SICAV

Fleming Group (u)

Foreign & Colonial Emerging Markets Ltd (u)

Gartmore Luxembourg SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

INVESCO International Limited (u)

Jupiter Tyndall Global Fund

Kleinwort Benson Japanese Warrant Fund

Lloyds Bank Luxembourg

Mercury Asset Management S.A.

Midland Bank Fund Managers (Luxembourg)

Morgan Grenfell Asset Management

Sarasin Investment SICAV (u)

Scottish Equitable Intl Fund SICAV (u)

Sun Life Global Management Ltd (u)

Templeton Global Strategy Funds

Thornton Investment Management Ltd

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Alliance Capital

Banque Paribas Luxembourg S.A.

Capel-Cure Myers Intnl Fd Sicav (u)

Carlson Investment Management

Chase Manhattan Vista Funds

Citicorp Investment Mgmt (Luxembourg) SA

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LONDON STOCK EXCHANGE

MARKET REPORT

Weak gilts damage Footsie attempt at new high

By Steve Thompson, UK Stock Market Editor

A day that promised much eventually delivered precious little. The UK stock market showed increasing signs of strain ahead of what could be one of the most critical takeover bids of the decade.

An early attempt by the market to drive the FT-SE 100 through its previous all-time high quickly foundered, mainly on the gilts' market's reluctance to build on recent gains, but also amid continued concerns about the UK political scene, and ongoing worries about the US budget deficit debate.

The FT-SE 100 finally settled 5.8 points to the good at 3,754.2, and was looking increasingly unhappy towards the close of trading. The FT-SE Mid 250 index was never too troubled by the day's events and closed 4.6 firmer at 4,078.2.

There had been an air of optimism in the marketplace early in the session, as dealers noted Wall Street's burst of strength on Friday night. There were also widespread expectations in the weekend press that Granada, the leisure group, would emerge victorious from its bitter battle to win control of the Forte empire.

A Granada victory has been seen by many market observers as paving the way for more contested takeover offers in the UK.

The level of turnover in the equity market was another disappointment. At 6pm, turnover was 686.1m shares, well down from the levels seen during the last few trading sessions. And more than 60 per cent of that figure was transacted in the non-FT-SE 100 stocks.

Marketmakers were not too unhappy with prospects for the market, insisting that the big institutions had preferred to stand back and wait for the crucial outcome of the Forte/Granada bid battle before making any major decisions.

The general consensus among traders was that a defeat for Granada would see the latter's stock down 20p and that of Forte down 30p. They also said that the market would see equities move lower in the short term.

Strategists still see plenty of takeover activity in coming months, which should underpin the equity market. In a market commentary on takeovers, the strategy team at NatWest Securities said bids "will remain a feature of UK corporate life and continue to provide firm support for the market in 1996".

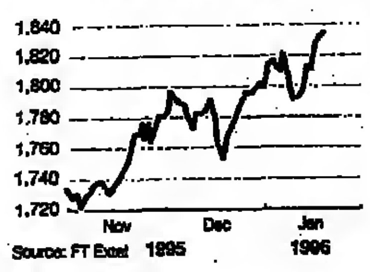
The NatWest team highlighted three reasons why the bid will continue: cost cutting; strong balance sheets; and the belief that Labour will win the next election.

The 60-point surge by the Dow Jones Industrial Average on Friday, which drove that index to within 32 points of its all-time high, prompted London's marketmakers to hoist opening levels and saw the Footsie climb to within 3.5 of its previous record minutes after the opening.

But with gilts, bunds and US Treasury bonds failing to make progress, the equity market began to falter. There was no real encouragement from the fourth-quarter gross domestic product figure, which came in, as expected, up 0.4 per cent.

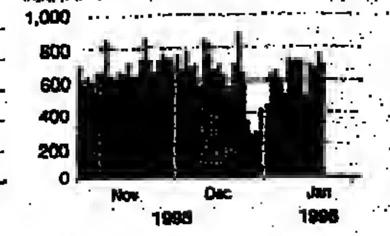
Oil shares were among the market's poorest performers, unsettled by worries that a resumption of Iraqi oil sales would damage prices.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3754.2	+5.8
FT-SE Mid 250	4078.2	+4.6
FT-SE-A 350	1861.5	+2.7
FT-SE-A All-Share	1834.51	+2.98
FT-SE-A All-Share yield	3.71	(3.72)
FT Ordinary index	2779.6	+17.5
FT-SE-A Non Fins p/e	16.92	(16.90)
FT-SE 100 Fut Mar	3774.5	+1.5
10 yr Gilt yield	7.31	(7.28)
Long gilt/equity yld ratio:	2.09	(2.08)

Best performing sectors

1. Engineering, Vehicles .... +1.8
2. Transport .... +1.3
3. Telecommunications .... +1.0
4. Alcoholic Beverages .... +0.9
5. Chemicals .... +0.8

Worst performing sectors

1. Oil Exploration .... -1.6
2. Electronic & Elec .... -1.0
3. Retailers, Food .... -0.8
4. Oil, Integrated .... -0.7
5. Mineral Extraction .... -0.7

Fokker fears hit R-R

Talk of possible profits downgrades in the event of big customer Fokker going to the wall hit Rolls-Royce shares, which lost ground against the market trend in heavy 20m turnover.

Fokker is an important aero engines customer at Rolls-Royce, accounting for some £100m of sales. According to Mr Nick Cunningham, BZW engineering analyst, the possibility of earnings downgrades at R-R "cannot be dismissed should this business be lost".

The Dutch aircraft maker's contracts with R-R are thought to be high margin business. Mr Cunningham said the City may be forced to downgrade this year's earnings when R-R puts out its 1995 results early in March.

Rolls-Royce has risen by more than 30 per cent since early November on the back of strong orders. The stock came off 3½ to 197½p yesterday.

Rival group British Aerospace was seen as a beneficiary of the crisis at Fokker. Additionally aided by the prospect of a March flotation for the Orange mobile phones system, BAe appreciated 12 to 888p.

Something of a marketmaker squeeze was said to have been the reason for a 14 improvement to 202p in Lucas Industries shares.

Transport leader P&O had a good day, steaming to the high end of the Footsie performance charts with a gain of more than 3 per cent.

The shipping and property group, which announced three boardroom appointments last week, finished 16 stronger at 505p as rumours of further, more extensive, management changes ran round the market. The shares stood at 637p earlier last year.

At 8.3m traded, turnover in the stock was the heaviest since September. Broker Panmure Gordon reiterated its buy stance, pointing to the shares' near 8 per cent yield.

BAA gained 11 at 499p. The airports group unveils third-quarter results early next month and most analysts are looking for an upbeat outturn. UBS is forecasting profits growth of 24 per cent for the quarter.

Burmah Castrol rose 8 to 989p as SGST said it was "undervalued" and set a long term target of 1100p a share.

SGST said Burmah had the benefit of strong brand names in lubricant products and was expected to show solid growth in sales and profits margins.

The broker cut its rating on other stocks in the sector as a whole to underweight from neutral, saying it expected further downside in the oil price. It believes earnings growth in the sector may lag behind the rest of the market.

Among other oils, BP fell 7 to 519p, Shell Transport 1½ to 845p, Lasmo 7 to 164p and Enterprise 6 to 379p.

Standard Chartered, the Far Eastern bank, continued its seemingly relentless rise yesterday. The shares jumped at the start of trading on weekend press speculation over a possible takeover.

National Westminster, flush with cash since the sale of its Bancorp arm in the US, was cited as the possible aggressor. However, most analysts were sceptical and NatWest's securities arm was recommending Standard Chartered shares for a completely different reason – its exposure to the Far East.

Neither bank would comment on the speculation but banking sources said the story was contrary to the public strategy of both institutions. BZW sees an end-year share price for Standard of around 710p based on the positive outlook for the bank's core markets. SBC Warburg was said to be recommending the shares up to 690p ahead of results due next month.

Finally, there was support from a very strong Hong Kong market, a firmer dollar and the rises on Wall Street. Standard, up 17 at one stage, closed 5 ahead at 623p. HSBC rose 10 to 1086p in the Ordinaries and NatWest slipped 8 to 657p.

Granada Group's bid for Forte, the most hotly contested takeover attempt for years, continued to excite dealers ahead of today's 1pm deadline for Granada's offer.

Market sentiment remained on Granada's side, though supporters of Forte refused to give up hope, believing the UK's leading hotels and restaurants group may just escape the clutches of the home entertainment company.

Shares in Granada hardened another 2 to 698p, while early buying of Forte, particularly by investors seeing it as the cheap way into Granada, faded in the afternoon, leaving the shares to drift 3 lower to 373p on profit-taking.

The outcome of the bid has implications for several other stocks. Forte recently agreed to sell its roadside businesses to brewing and leisure group Whitbread in a £1.05bn deal should it escape Granada's bid.

Rumours circulating in the market yesterday suggested Whitbread may be looking at other bid targets if Granada wins. The speculation pointed to PizzaExpress as its most likely target and the shares jumped 26 to 261p on the talk. A large cross of around 100,000 shares was done in the stock around the 260p level, another factor dealers suggested helped boost the share price.

Public houses group J.D. Wetherspoon was also mentioned as a possible target for Whitbread. Shares in Wetherspoon forged ahead 43 to 700p on the talk, while Whitbread shares eased a half-penny to 688p.

Retailer Lloyds Chemists put on 11 at 420p amid continued talk that German group Gehe may yet make a counter-bid to Unichem's agreed offer tabled last week. Unichem shares closed 7½ off at 253p.

In food retailers, profit-taking in Asda Group saw the shares ease 3 to 108p, in trade of 15m. The company's chief executive sold nearly 2.5m shares in the group through the exercise of share options on Friday.

John Menzies tumbled 38 to 580p after it revealed a sharp fall in first-half profits and warned on the second half. The poor sentiment in Menzies also hit W.H. Smith, which reports interim figures tomorrow. The shares shed 3 to 406p.

Overseas takeover speculation pushed Midlands Electricity up 14 to 358p. Belgium's Tractebel and General Public Utilities, of the US, were cited as possible interested parties.

Chemicals group Courtaulds was the number one performer in the Footsie although dealers said support was technical rather than fundamental. They said one US brokerage had received a large order for Courtaulds stock and, in its attempt to fill it, had created a shortage in the market. The shares ended the day 19 better at 458p.

Daily Mail Trust moved forward 38 to 1388p in the "A"s, squeezed higher by a comparatively large buy order late on Friday.

Insurer London and Manchester fell 5 to 405p, dragging the life assurance sector lower, as it announced that new annual business premiums dropped 28.5 per cent to £25.8m in 1995.

BZW issued 15m American-style warrants in two tranches on shares of Zeneca. Buying of the underlying stock in order to reduce exposure was said to have been the reason why Zeneca shares were up 25 at 1299p. There was also some Sunday newspaper comment about recent takeover speculation.

Take profits advice from NatWest Securities hit electronics giant GEC which has risen by more than 25 per cent since early December. The shares fell back 6½ to 358½p in 7.3m turnover.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 22	Jan 19	Jan 18	Jan 17	Jan 16	Yr ago	*High	*Low
Ordinary Share	2779.9	2762.1	2773.5	2753.3	2760.7	2238.3	2779.6	2238.3
Ord. div. yield	3.91	3.93	3.81	3.85	4.04	4.68	4.73	3.91
P/E ratio net	16.63	16.58	16.61	16.47	16.48	19.91	21.33	15.35
P/E ratio nil	16.42	16.35	16.40	16.27	16.28	16.37	22.21	15.17

Ordinary Share Index since compilation: high 2779.6 19/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2771.7	2769.4	2765.1	2767.6	2772.4	2774.5	2774.5	2772.9	2778.9	2779.9	2764.3

	Jan 22	Jan 19	Jan 18	Jan 17	Jan 16	Yr ago
SEAQ bargains	44,115	40,878	39,913	34,159	31,904	23,573
Equity turnover (£m)†	-	2181.5	2203.6	1937.4	1986.4	1514.3
Equity bargains†	-	48,146	43,431	38,896	37,930	31,858
Shares traded (mil)†	-	716.9	719.4	696.6	713.5	531.9

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	810	Total Highs	230	Total contracts	25,472
Total Falls	542	Total Lows	21	Calls	12,785
Same	1463			Puts	12,687

Jan 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3780.0	3774.5	+1.5	3785.0	3765.0	9144	64601
Jun	-	3777.0	+1.5	-	-	0	1183

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4090.0	4090.0	+5.0	4090.0	4090.0	9	3383

■ FT-SE 100 INDEX OPTION (LIFFE) (*3754) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 4,025 Puts 4,171 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	23.2	125	115	Century Inns	119		-	-	-	-
-	F.P.	25.1	114	108	Cox Insurance	113		-	-	-	-
-	F.P.	14.8	60	52	†Crown Products	55		-	-	-	-
-	F.P.	13.7	90	72	†Dmatek	73		-	-	-	-
-	F.P.	25.6	88	73	Jupiter Split Cap	85½		-	-	-	-
-	F.P.	53.8	101	96	Jupiter Split Inc	98½		K7.24	-	9.2	-
-	F.P.	58.0	£59	£58	Jupiter Split Units	£59		7.24	-	0.2	-
-	F.P.	0.08	¼	¼	†Mountcashel	¼		-	-	-	-
-	F.P.	0.13	8	8	†Nthn Pltm Wts	8		-	-	-	-
-	F.P.	1.13	105	100	†Revelation P'dilly	105	+5	-	-	-	-
-	F.P.	0.76	7½	6½	†SkyePharma Wts	6¾		-	-	-	-
-	F.P.	4.05	135	125	†Viewinn	135		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 22	% chg on day	Jan 19	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (36)	2187.96	+0.5	2178.07	1849.96	1.55	-	2208.36	1637.91
■ Regional Indices								
Africa (15)	2864.82	-1.8	2933.13	2765.82	3.15	30.31	3063.46	2272.74
Australasia (5)	2641.86	-2.6	2712.94	2255.75	2.15	41.29	2732.31	1788.20
North America (12)	1926.38	+2.1	1888.19	1512.57	0.70	57.59	1943.53	1348.16

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FT - SE Actuaries Share Indices — The UK Series

	Jan 22	Day's chge%	Jan 19	Jan 18	Jan 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3754.2	+0.2	3748.4	3748.7	3704.2	2954.2	3.80	2.07	15.83	2.71	1502.86
FT-SE Mid 250	4078.2	+0.1	4073.6	4058.2	4035.6	3384.3	3.59	1.82	19.14	19.11	1614.24
FT-SE Mid 250 ex Inv Trusts	4083.7	+0.1	4081.5	4066.0	4043.8	3403.0	3.73	1.88	17.87	20.45	1619.15
FT-SE-A 350	1861.5	+0.1	1858.5	1857.4	1837.9	1482.4	3.78	2.02	16.43	2.89	1525.33
FT-SE-A 350 Higher Yield	1872.3	+0.2	1868.8	1867.4	1845.3	1509.6	4.60	1.84	14.77	4.63	1274.53
FT-SE-A 350 Lower Yield	1855.0	+0.1	1853.1	1851.8	1834.8	1454.9	2.86	2.34	18.68	1.05	1257.51
FT-SE SmallCap	1995.67	+0.4	1988.13	1980.22	1976.19	1714.10	3.13	1.82	21.95	2.05	1615.46
FT-SE SmallCap ex Inv Trusts	1968.02	+0.3	1961.20	1953.50	1949.98	1700.21	3.35	1.91	19.54	2.16	1601.61
FT-SE-A ALL-SHARE	1834.51	+0.2	1831.53	1829.71	1811.80	1489.23	3.71	2.01	16.75	2.78	1527.23

■ FT-SE Actuaries All-Share

	Jan 22	Day's chge%	Jan 19	Jan 18	Jan 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3176.15	-0.7	3199.26	3192.27	3164.38	2602.83	3.68	2.02	16.78	0.00	1336.55
12 Extractive Industries(6)	4086.03	-0.2	4073.53	4086.75	4039.75	3478.97	3.65	2.56	13.38	0.00	1165.93
15 Oil, Integrated(3)	3227.06	-0.7	3251.17	3238.52	3212.98	2600.19	3.91	1.95	16.77	0.00	1382.09
16 Oil Exploration & Prod(15)	2082.09	-1.6	2116.37	2125.71	2100.65	1857.13	2.35	1.48	35.84	0.00	1235.88
20 GEN INDUSTRIALS(276)	2021.78	+0.3	2016.70	2015.96	1996.99	1790.05	4.06	1.90	16.11	0.54	1086.00
21 Building & Construction(34)	1043.29	-0.5	1048.16	1051.10	1040.05	947.03	3.65	2.19	14.87	0.36	858.84
22 Building Matls & Merchs(29)	1803.66	+0.6	1783.08	1796.01	1771.91	1688.17	4.19	2.03	14.82	0.40	895.33
23 Chemicals(23)	2478.14	+0.8	2459.28	2447.13	2432.91	2223.93	3.95	1.87	16.92	0.91	1154.44
24 Diversified Industrials(21)	1640.82	+0.4	1632.72	1637.67	1619.67	1756.04	5.36	1.58	14.72	0.00	1006.42
25 Electronic & Elect Equip(36)	2241.72	-1.0	2264.85	2275.42	2261.78	1827.19	3.21	1.05	19.98	1.31	1151.27
26 Engineering(71)	2236.01	+0.3	2230.34	2221.18	2197.06	1726.42	3.33	2.23	16.78	1.02	1339.16

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3763.8	3758.7	3754.7	3758.5	3758.3	3761.2	3756.8	3753.1	3754.0	3763.9	3752.8
FT-SE Mid 250	4076.8	4077.4	4076.4	4076.3	4078.8	4078.7	4078.0	4077.5	4076.2	4079.2	4075.1
FT-SE-A 350	1863.2	1862.4	1861.8	1863.0	1863.3	1863.3	1861.8	1861.4	1861.4	1863.2	1860.9

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 22 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Jan 22 / Frs.) [illegible]

CZECH REP (Jan 22 / Koruna) [illegible]

DENMARK (Jan 22 / Kr) [illegible]

FINLAND (Jan 22 / Mks) [illegible]

FRANCE (Jan 22 / Frs.) [illegible]

GERMANY (Jan 22 / Dm.) [illegible]

GREECE (Jan 22 / Drachmae) [illegible]

ITALY (Jan 22 / Lire) [illegible]

NETHERLANDS (Jan 22 / Fls.) [illegible]

NORWAY (Jan 22 / Kroner) [illegible]

POLAND (Jan 22 / Zloty) [illegible]

PORTUGAL (Jan 22 / Escudo) [illegible]

SPAIN (Jan 22 / Pts.) [illegible]

SWEDEN (Jan 22 / Kronor) [illegible]

SWITZERLAND (Jan 22 / Frs.) [illegible]

TURKEY (Jan 22 / Tk Lira) [illegible]

PACIFIC

JAPAN (Jan 22 / Yen) [illegible]

HONG KONG (Jan 22 / H.K.$) [illegible]

INDONESIA (Jan 22 / Rupiah) [illegible]

MALAYSIA (Jan 22 / MYR) [illegible]

NEW ZEALAND (Jan 22 / NZ $) [illegible]

SINGAPORE (Jan 22 / S$) [illegible]

AUSTRALIA (Jan 22 / Aust$) [illegible]

SOUTH KOREA (Jan 22 / Won) [illegible]

TAIWAN (Jan 22 / TW $) [illegible]

THAILAND (Jan 22 / Baht) [illegible]

NORTH AMERICA

TORONTO (Jan 22 / Can $) 3:30 pm [illegible]

MONTREAL (Jan 22 / Can $) 3:30 pm [illegible]

AFRICA

SOUTH AFRICA (Jan 22 / Rand) [illegible]

Prices supplied by Telekurs

[illegible] † Priced in US $.

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INDICES

	Jan 22	Jan 19	Jan 18	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	17555.64	17234.25	17868.20	3/1/96	0.00	19/1/96
Australia							
All Ordinaries(1/1/80)	2260.6	2247.1	2250.4	2274.90	8/1/96	1823.30	8/2/95
All Mining(1/1/80)	1016.6	1007.9	1013.8	1041.80	9/1/96	785.30	8/2/95
Austria							
Credit Aktien(30/12/84)	373.53	374.49	363.93	385.42	2/1/95	328.80	27/10/95
Traded Index(2/1/91)	1050.45	1052.12	1022.82	1058.31	2/1/95	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1657.71	1662.33	1645.04	1662.93	19/1/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	49090.0	48339.0	49090.00	19/1/96	21382.00	9/3/95
Canada							
Metals & Minls(1975)	(u)	4852.99	4810.71	5298.37	23/11/95	3806.83	1/3/95
Composite(1975)	(u)	4821.00	4798.19	4833.36	9/1/96	3891.41	30/1/95
Portfolio(4/1/83)	(u)	2381.99	2371.99	2383.53	9/1/96	1953.36	30/1/95
Chile							
IGPA Gen(31/12/80)	(u)	5788.64	5793.90	6363.19	11/7/95	4576.98	9/3/95
Denmark							
CopenhagenSE(3/1/83)	387.08	387.73	386.68	388.83	17/1/95	330.01	29/3/95
Finland							
HEX General(28/12/90)	1722.71	1710.55	1708.74	2332.22	14/3/95	1555.30	29/3/95
France							
SBF 250(31/12/90)	1293.94	1297.44	1292.31	1322.30	12/5/95	1154.41	13/3/95
CAC 40(31/12/87)	1954.42	1964.28	1960.85	2017.27	12/5/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	857.46	858.95	852.25	858.95	19/1/96	708.87	30/3/95
Commerzbank(1/12/53)	2495.70	2488.00	2469.80	2488.80	19/1/96	2018.70	30/3/95
DAX(30/12/87)	2390.53	2398.76	2380.90	2398.76	19/1/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	996.30	988.47	952.93	996.30	22/1/96	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10955.33	10764.09	10536.49	10955.33	22/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	2956.78	2918.21	2940.40	3932.09	2/1/95	2918.21	19/1/96
Indonesia							
Jakarta Comp.(10/8/82)	571.32	562.35	557.71	571.32	22/1/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2327.58	2325.07	2318.78	2327.58	22/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	613.39	611.78	598.35	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/86)	1040.0	1037.0	1015.9	1040.00	22/1/96	982.00	15/1/95
Japan							
Nikkei 225(16/5/49)	20196.53	20385.76	20370.04	20989.00	5/1/96	14485.40	3/7/95
Nikkei 300(1/10/82)	294.15	297.33	297.83	307.96	5/1/96	222.28	13/6/95
Topix(4/1/68)	1570.39	1585.52	1587.31	1602.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2081.73	2091.61	2086.32	2130.96	4/1/95	1441.80	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1064.53	1056.69	1038.86	1086.84	5/6/95	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	3058.42	2983.31	3058.42	19/1/96	1447.82	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	554.5	554.7	550.2	554.70	19/1/96	422.90	23/3/95
CBS All Shr(End 83)	335.8	335.9	333.1	335.90	19/1/96	285.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2081.59	2078.74	2068.60	2208.02	20/10/95	1801.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1278.15	1280.85	1282.80	1315.20	8/1/96	1088.09	10/3/95
Philippines							
Manila Comp(2/1/85)	2831.15	2764.52	2731.27	2858.12	10/7/95	2196.46	20/11/95
Portugal							
BTA(1977)	2608.4	2556.0†	2587.8	2911.50	9/1/95	2482.89	22/11/95
Singapore							
SES All-S'pore(2/4/75)	587.32	580.76	578.71	587.32	22/1/96	472.98	23/1/95
South Africa							
JSE Gold(28/9/78)	1672.0♥	1563.3	1565.6	2023.89	2/1/95	1269.20	30/10/95
JSE Ind.(28/9/78)	6685.1♥	6634.7	6621.3	6685.10	22/1/96	5222.00	31/1/95
South Korea							
KoreaCompEx**(4/1/80)	842.80	848.07	848.14	1027.37	2/1/95	842.72	19/1/96
Spain							
Madrid SE(30/12/85)	330.28	330.54	329.67	330.84	19/1/96	284.08	23/3/95
Sweden							
AffarsvardsGen(1/2/37)	1708.6	1722.4	1719.9	1872.30	19/9/95	1439.89	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1535.21	1532.88	1530.88	1570.89	4/1/96	1174.83	13/3/95
SBC General(1/4/87)	1132.51	1132.35	1132.60	1165.59	4/1/96	878.68	13/3/95
Taiwan							
Weighted Pr.**(30/6/66)	5039.00	5016.76	5026.20	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1389.43	1375.03	1354.21	1472.84	10/7/95	1135.89	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	49694.1	48917.6	46989.5	54993.80	21/4/95	24844.30	23/1/95
WORLD							
MS Capital Intl(1/1/70)	729.3*	731.6	729.5	743.00	5/1/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1538.46	1544.02	1537.43	1544.02	19/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1377.19	1379.77	1371.86	1379.77	19/1/96	1117.24	9/3/95
JCapeDrgns(31/12/88)	(u)	360.95	355.53	361.13	15/1/96	282.87	23/1/95
ING Brngs Emrg(7/1/92)	158.83	156.58	155.52	158.83	22/1/96	117.16	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Jan	1965.0	1961.5	-5.5	1975.0	1959.0	11,154	36,042
Feb	1973.0	1968.5	-5.5	1978.0	1967.0	490	2,765
■ DAX							
Mar	2402.0	2402.0	-12.5	2408.5	2393.0	16,172	–
Jun	2413.5	2414.0	-17.0	2420.0	2408.0	574	–
■ OMX							
Jan	1325.00	1314.00	-13.00	1329.50	1313.25	4,072	13,080
Feb	1333.50	1321.25	-13.75	1336.00	1321.25	1,155	6,333
■ SOFFEX							
Jan	3258.8	3248.0	-5.9	3263.0	3240.0	3,375	13,039
Feb	3260.0	3251.0	-15.0	3260.0	3260.0	1	1,312

Base values of all indices are 100 except: Australia All Ordinary and [illegible] Korea Comp Ex 842.72 [illegible] Taiwan Weighted Price [illegible] HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & [illegible] Traded [illegible] NYSE All Common – 50 and Standard and Poor's – 10. §§ [illegible] JSE 26 Industrials – 264.3; [illegible] IBIS DAX after-hours index: Jan 22 - 2391.74 -8.84. [illegible] Closed. (u) Unavailable.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jan 19	Jan 18	Jan 17	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5184.68	5124.35	5086.90	5216.47 (13/12/95)	3832.08 (30/1/95)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	105.78	105.77	105.56	105.78 (19/1/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1897.88	1882.71	1900.04	2082.11 (5/12/95)	1473.19 (3/1/95)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	229.46	228.83	229.11	228.86 (16/1/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5214.66 (5166.96) Low 5087.40 (5032.58) (Theoretical♣)
Day's high 5193.71 (5125.07) Low 5111.70 (5066.90) (Actual♣)

Standard and Poors	Jan 19	Jan 18	Jan 17	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	611.83	606.24	608.37	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	716.05	710.60	708.58	731.85 (13/12/95)	546.28 (3/1/95)	731.85 (13/12/95)	3.62 (21/6/32)
Financial	61.78	61.24	61.27	63.86 (6/12/95)	41.64 (3/1/95)	63.86 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	327.86	326.15	325.28	332.83 (3/1/96)	250.73 (3/1/95)	332.83 (3/1/96)	4.46 (25/4/42)
Amex Mkt Val	530.62	529.05	533.21	563.58 (12/9/95)	433.12 (6/1/95)	563.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1018.45	1007.24	998.30	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Jan 12	Jan 5	Dec 29	Year ago
Dow Jones Ind. Div. Yield	2.33	2.26	2.30	2.73
	Jan 17	Jan 10	Jan 3	Year ago
S & P Ind. Div. yield	2.01	2.02	1.95	2.44
S & P Ind. P/E ratio	18.42	18.30	18.95	16.78

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
IBM	13,126,800	102½	+6½
WalMart	12,094,400	19⅝	+⅛
Micron	10,491,500	31	-2¼
Telefonos	7,384,800	34¼	+2¼
K-Mart	5,197,500	6	-⅛
Pcfc Telesis	5,151,000	28½	-2⅞
Aracruz	5,056,100	8¼	+⅛
Citicorp	4,434,800	70	+1⅝
Gen Electric	4,205,700	74¼	+1⅝
Ford Motor	4,179,300	27¼	+¼

■ TRADING ACTIVITY

● Volume (millions)

	Jan 19	Jan 18	Jan 17
New York SE	495.951	449.891	458.715
Amex	20.407	22.798	17.568
NASDAQ	582.984	549.595	632.013
NYSE			
Issues Traded	3,095	3,090	3,012
Rises	1,307	1,379	1,216
Falls	1,031	973	1,119
Unchanged	757	738	778
New Highs	143	162	151
New Lows	22	31	36

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	613.85	615.50	+1.35	615.85	613.35	79,111	192,092
Jun	619.80	621.00	+0.90	621.00	619.00	139	6,499

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Mar	20420.0	20270.0	-160.0	20430.0	20150.0	21,153	144,365
Jun	20480.0	20250.0	-90.0	20430.0	20180.0	1,029	22,418

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Monday, January 22, 1996

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	22.9m	832	+4
Yamaichi Secs	20.6m	803	-13
Japan Paper Ind	6.3m	917	+38
Nippon Steel Corp	5.5m	353	-1
Sumitomo Seika	5.3m	733	+96
Hyogo Bank	4.5m	1	
Nishimatsu Const	3.9m	1220	-20
Hitachi	3.6m	1030	+10
Nissin Corp	3.4m	715	+28
Tokyu Corp	3.4m	719	-11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:30 pm January 22

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22¼	12⅛	AAR	0.48	2.4	24	356	21	78½	20¼	-⅛
46¾	35	AMP	0.92	2.4	19	8601	38⅜	36⅜	33	-⅞
80¼	53⅛	AMR			20	3643	74¼	72⅞	73⅞	+1⅜
47⅞	36⅛	ASA	1.71	3.8	30	2486	40⅞	43⅞	45½	+2½
44¾	36¾	AbbtL x	0.84	2.2	18	11101	39⅛	38½	38⅝	-½
18⅞	13	Abitibi Pr	0.40	2.8	6	818	15½	15	15½	+⅛
28½	21	ABM Ind x	0.70	2.5	15	21	28¼	28⅛	28⅛	-¼
17½	13⅛	Acpincein			10	104	14⅞	14⅝	14⅝	
43¼	21⅞	ACE Ltd	0.50	1.3	10	6004	u43¼	41⅝	43¼	+3
9⅞	8⅛	ACM Gvt In	0.40	5.0	8	167	8⅝	9½	9⅝	
7¾	6½	ACM GvOpp	0.66	8.9		24	7½	7⅛	7⅜	
7½	5¾	ACM Gvt Sp	0.75	10.0		2125	7	6⅞	6⅞	-⅛
8¾	7¼	ACM Gvt Se	0.24	2.8		434	u8¾	8⅝	8⅝	
9½	7⅝	ACM Man	0.90	9.9		289	9⅛	9½	9⅛	-⅛
29¼	16¾	AcmeCle	0.46	2.0	33	653	18½	17⅞	18½	+¾
38¾	7⅜	Acme Elect			65	91	7⅜	7¼	7⅜	-⅛
34½	23¾	Acordia	0.72	2.5	15	29	26⅞	28¾	28⅞	+⅜
18¾	10⅛	Acuson			39	902	12⅝	12½	12⅜	+⅜
19⅝	15⅝	Adams Exp	0.36	1.9	0	187	18⅞	18⅝	18¾	
29⅞	18⅛	AdvMic			0	9917	18⅞	18⅜	18⅛	+½
8¾	5	Advest Grp	0.16	1.7	9	73	9⅜	9⅜	9½	
27½	16½	Advo Inc	0.10	0.5	22	2898	21¾	21⅛	21⅛	+⅛
46¾	24.80	Aegon	1.28	2.9	17	57	45	44⅜	44⅞	-⅜
5⅞	3⅜	Aerfia			6	132	3⅜	3⅛	3⅝	
78¾	46¾	Aetna L	2.76	3.7	36	2832	74⅜	73½	73⅞	
47	31⅞	Aflac	0.52	1.1	13	477	u47	46½	46⅝	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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3:30 pm January 22

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

3:30 pm January 22

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AMEX COMPOSITE PRICES

3:30 pm January 22

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AMERICA

Tech stocks rise as bonds check Dow

Wall Street

US shares were mostly flat by midsession, while technology companies continued to climb on bargain hunting following the sell-off at the beginning of the year, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 9.08 higher at 5,193.78, the Standard & Poor's 500 had added 0.79 at 612.62 and the American Stock Exchange composite was up 1.27 to 531.89. Volume on the NYSE came to 216m shares.

Bonds exerted a negative influence on shares by falling on worries that congress might provoke a debt default by not agreeing to raise the US borrowing limit before an interest payment was due in February.

The Nasdaq Composite added 7.52 at 1,025.97 and the Pacific Stock Exchange technology index rose 1 per cent.

Rising technology companies included America Online, which climbed $3⅝ to $38⅝ on reports that the company was considering an alliance with Netscape Communications, the maker of internet software. Shares in Netscape added $5⅝ at $150.

Class H shares in General Motors, which represent equity in GM Hughes, soared $4⅝ or 10 per cent to $52⅞ on news that AT&T would take a 2.5 per cent stake in Hughes' DirecTV for $137.5m. Shares in AT&T fell $1 at $64⅞.

Goodyear Tire & Rubber added $1⅝ or 3 per cent after the company said that it expected to report record sales and strong profits for the fourth quarter.

Goodyear said profits, due to be announced on February 5, should be in the range of 94 to 97 cents a share, compared to 90 cents a share for the same 1994 period.

Maybelline slipped $1⅛ at $43⅝ after Benkiser of Germany called at least a temporary halt to the bidding war for the company by announcing that it would not try and top L'Oréal's bid of $44 a share.

Benkiser said that it remained interested in Maybelline and might launch another effort to buy the company if L'Oréal's bid ran into anti-trust problems.

Harley-Davidson rose $3⅛ or 13 per cent to $30⅝ as it announced plans to sell its recreational vehicle division to Monaco Coach. Monaco shed $⅝ or 5 per cent at $8⅝.

Canada

Toronto was led higher by strong golds, the sector rising 1.8 per cent at midday after Comex gold prices hit a 2½-year high. However, the TSE composite index was restricted to a gain of 8.06 at 4,829.12, with financial services, metals and minerals, and oil and gas the laggards at midsession.

Placer Dome was up C$⅝ to C$37⅝ and TVX Gold C$⅝ higher at C$12⅞.

Argentina gains 2%

Buenos Aires built on Friday's 3 per cent gain and by midsession the Merval index stood 11.83 or 2.2 per cent higher at 560.02.

The market's strength was said to be supported by optimism regarding talks that the government was having with the IMF during this week.

Sentiment was also boosted after Argentina and Brazil signed a four-year car trade agreement yesterday, under which Argentina hoped to boost its exports and clear a deficit in bilateral vehicle trade. Speculation ahead of the deal led to a surge in the shares of Sevel and Ciadea, both car manufacturers, at the end of last week.

MEXICO CITY was slightly stronger by late morning as investors remained interested in equities after the decline in domestic interest rates. The IPC index had gained 18.54 at 3,076.96. Dealers said that foreign institutions were among the buyers.

SAO PAULO was little changed in early afternoon trade, with the Bovespa index off 23 points at 49,067. Analysts suggested that some profit-taking was likely; the market had risen more than 14 per cent in local currency terms since the start of the year.

EUROPE

Corporate problems stop Frankfurt in its tracks

Brokers contemplated the ravages of corporate sickness, and FRANKFURT paused after last week's succession of highs. Daimler was suspended and Bremer Vulkan, the shipbuilder, dropped 32 per cent to little more than a quarter of last year's high as the Dax index fell 8.84 to 2,391.74.

Daimler's estimate of a DM6bn 1995 loss, issued as it withdrew financial support to Fokker, its Dutch aircraft building subsidiary, had a broad effect on sentiment. German stock market turnover dropped from DM13bn to DM7.5bn. Grey market indications for Daimler itself were a fall of 2 per cent or so, to DM735 in early trading, and a recovery later to DM762.

Bremer Vulkan plunged after a newsletter said it was on the brink of bankruptcy, and in spite of denials from the company. Commerzbank, which leads Bremer Vulkan's creditor banks, slid DM6.30 or 1.8 per cent to DM342.60.

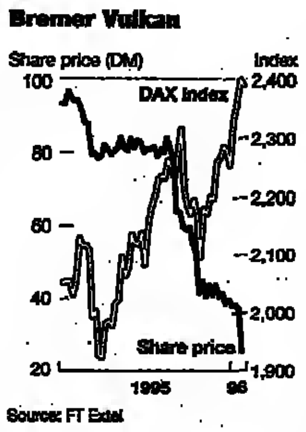
PARIS continued to focus on L'Oréal, up FFr4 at FFr1,432, after it raised its bid for Maybelline from $41 to $44 a share. The increase followed a revised bid of $42 from Benckiser, of Germany.

Ms Marie-Hélène Leopold, of Paribas in Paris, commanted that if the takeover was successful it would have a number of positive implications for the French group, not least in giving it strategic access to the US mass market. While she thought that the bid of $44 per share was on the high side, it should, she said, provide few problems for the French company, which had no debts and which was cash rich.

The CAC-40 index lost 9.86 to 1,954.42 on profit-taking in turnover of FFr2.8bn.

TF1, an offshoot of Bouygues, rose FFr8 to FFr492 ahead of today's 1995 results, expected after the close of trading. Analysts were looking for a net profit of more than FFr600m, compared with FFr542m for 1994. Bouygues added FFr6 at FFr523.

Bremer Vulkan



Source: FT Extel

Cap Gemini Sogeti rose FFr7.40 to FFr141 on takeover speculation, and after the company forecast annual sales growth of 20 per cent compared with 12 per cent at present.

AMSTERDAM suspended Fokker at Fl 6.20 throughout the session pending a statement from the company, except that last night, on its financial and trading future. The AEX index ended marginally lower, off 0.15 at 508.43.

Hoogovens, the aluminium and steel group, rose 50 cents to Fl 59 after the stock was upgraded to "buy" by Robeco Effectenbank. The broker said that the change in stance was a reflection of the company's sales potential as well as restructuring measures.

Hoogovens also confirmed last week that it would return to full aluminium capacity of 230,000 tonnes this year, after a voluntary agreement in 1994 to cut output by 42,000 tonnes.

Unilever rose Fl 4 or 1.7 per cent to Fl 239.20, attributed to US interest, while Akzo Nobel shed Fl 2.60 to Fl 178.70 as reports circulated that a minority shareholder might be about to sell its stake.

FT-SE Actuaries Share Indices

Jan 22							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1543.54	1544.48	1544.24	1543.49	1542.59	1539.42	1538.64	1538.46
FT-SE Eurotrack 200	1643.74	1643.97	1643.07	1643.29	1644.53	1641.73	1640.19	1641.60

	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15
FT-SE Eurotrack 100	1544.02	1537.43	1525.34	1522.85	1510.88
FT-SE Eurotrack 200	1639.88	1633.99	1618.45	1617.53	1602.99

Base 1000 (26/10/90). High/day: 100 - 1545.00; 200 - 1644.97 Low/day: 100 - 1538.00 200 - 1638.20 † Partial

MILAN recovered some of its early losses as the political situation remained uncertain. The Mibtel index fell 1.2 per cent to 9,717, while the Comit moved ahead 1.60 to 613.38.

Individual stories included Olivetti, down L22 at L1,051, and Pirelli, off L18 at L2,135. Elsewhere, Telecom Italia fell L7 to L2,700, TIM slipped L18 to L2,770 and Stet eased L60 to L4,665.

MADRID offered contrasts, particularly in banks. As the general index lost a mere 0.26 to 330.28, Argentaria fell Pta100 or 1.9 per cent to Pta5,140 on reports that the Spanish government was studying the sale of another 25 per cent of the equity; but Banesto, which had to be rescued by Santander in 1994, and whose share price had been suffering since 1993, rose another Pta27 or 3.2 per cent to Pta842.60 following last week's forecast of a sharp increase in profits in 1996.

LISBON focused on banks as BPI bid for BFE. The bidder fell Esc60 to Esc1,850, the target rose Esc116 to Esc1,699 and Cimpor-Cementos, the cement group which owns 12 per cent of BFE, closed Esc61 higher at Esc2,900. The BVL30 index rose 12.40 to 1,727.97.

BRUSSELS turned back from its highs, the Bel-20 index losing 4.62 at 1,657.71, but it had a prominant winner in Union Minière which rose BFr70, or 3.2 per cent to BFr2,235 on the strength of the dollar.

In STOCKHOLM, it was the losers that stood out: interest rates rose, the banking and finance index shed 3.35 per cent and construction stocks were hard hit. Skanska dropping SKr6.50 to SKr215 as the Affärsvärlden General index fell 15.8 to 1,706.6.

VIENNA took profits in Wienerberger, the building materials manufacturer, which had surged by more than 7 per cent on Friday, and the stock slipped Sch105 to Sch2,295 as the ATX index eased 1.67 to 1,050.45.

TEL AVIV rallied 1.8 per cent on Sunday after the Palestinian elections, held it and added a little more to close with the Mishtanim index up another 0.42 at 211.26, turnover staying high at Shk119m, against Shk123m.

ISTANBUL saw profit-taking towards the end of the session but the composite index rose 776.51 or 1.6 per cent to 49,694.19 after an earlier high of 50,797.

Brokers said that investors were positive about the formation of the new centre-right coalition, after the Islamist Welfare Party, which won the December parliamentary elections, said at the end of last week that it had been unable to construct an administration.

WARSAW rose 2 per cent but volume was lacking. The Wig index rose 187.2 to 8,889.9 in turnover of 74m zlotys.

Traders expected a period of consolidation following a rise in local currency terms of 18 per cent since January 1.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Nikkei falls as Hong Kong breaches 23-month high

Tokyo

The Nikkei average fell for the third consecutive day, on concerns over the country's housing loan companies and on reports that the state-owned pension fund manager was considering suspending links with life insurance companies, *writes Emiko Terazono in Tokyo.*

The 225-share index closed 169.23 lower at 20,196.53 after moving between 20,391.87 and 20,088.50. After a rise in earlier trading, arbitrage selling and profit-taking by domestic institutions depressed stock prices.

Volume plunged from 401m shares to 280m. The Topix index of all first section stocks dipped 15.13 to 1,570.39 and the Nikkei 300 by 3.23 to 294.15. Losers led gainers by 693 to 330, with 187 issues unchanged. But in London the ISE/Nikkei 50 index put on 1.54 at 1,385.50.

Investors were also unnerved by reports that the Pension Welfare Service Public Corporation (Nenpuku) would stop entrusting its fund management to life insurance companies, due to low returns. Expectations that life insurers would have to sell shares to raise the money to refund Nenpuku weighed on stock prices.

Bank issues were sold on the likely parliamentary wrangling over the jusen (housing loan companies). Sumitomo Bank shed Y80 to Y2,040 and Asahi Bank Y60 to Y1,220. But Long-Term Credit Bank of Japan drew buying, rising Y10 to Y771 on its restructuring plans.

High-technology stocks were bought after Wall Street's firm showing on Friday. Toshiba, the most active issue of the day, rose Y4 to Y832.

Higher crude oil prices lifted oil shares, Koa Oil rising Y30 to Y1,220 and Tonen Y20 to Y1,253.

In Osaka, the OSE average slipped 72.47 to 21,681.46 in volume of 114.4m shares.

Roundup

Boosted by Wall Street's steep rally on Friday, HONG KONG posted another 23-month closing peak in heavy trading.

The Hang Seng index climbed 191.24 or 1.8 per cent to 10,955.33 as turnover swelled to HK$8.7bn.

Banks were strong on expectations of good interim results next month. HSBC moved forward HK$2 to HK$124.50, Hang Seng Bank HK$1.50 to HK$73 and Bank of East Asia 40 cents to HK$30.40.

Among property issues, Cheung Kong was up HK$2 at HK$53.75 after hitting an historic high of HK$54. Henderson Land added HK$2 at HK$54.25.

SINGAPORE was mixed, although blue chips jumped 1.9 per cent on broad buying by institutions.

The Straits Times Industrial index rose 45.34, ending at the day's high of 2,448.52 and near to its all-time peak of 2,471.90 achieved in January 1994.

Among index stocks, Cycle & Carriage, the motor distributor, advanced 60 cents or 3.7 per cent to S$16.80.

SYDNEY was underpinned by an improvement in both gold and base metal prices. The All Ordinaries index gained 13.50 at 2,260.60 in turnover of A$414m.

In pharmaceuticals, Cortecs International rose 80 cents or 21 per cent to A$4.60 on news that it had entered an agreement which would allow it to develop an anti-ulcer vaccine.

The golds index gained 36.50 or 1.7 per cent to 2,143.50 as the bullion price rose to A$400.30 an ounce, from Friday's close of A$399.80 in New York.

BANGKOK finished at a six-month high as late buying of bank issues helped to push up equities just before the close.

The SET index added 14.40 or 1 per cent at 1,389.43, its highest level since the end of July 1995. Trading was brisk, with turnover of Bt12.7bn.

Dealing in Thai Danu Bank and Finance One resumed after being suspended early last week at the companies' request, as they awaited the result of Finance One's plan to buy a stake in the bank.

Finance One, the country's largest finance company, announced last week that it would purchase a 20 per cent stake in Thai Danu Bank at Bt140 per share.

Finance One rose Bt6 to Bt167 in turnover worth Bt1.1bn, and Thai Danu Bank put on the daily 10 per cent limit, rising Bt10 to Bt118 in volume of just 2,300 shares.

TAIPEI fluctuated within a narrow range in the absence of any significant corporate news, and daily turnover shrank to a two-month low. The weighted index added 1.75 at 5,039.00, off an intra-day high of 5,058.28.

MANILA breached 2,800 on strong foreign buying interest in major blue chips. The composite index rose 66.63 to 2,831.15 in volume of 3.2bn shares worth 3.5bn pesos.

Analysts said most of the blue chips, such as PLDT, PNB, Meralco and San Miguel, were still fairly valued after sharp corrections last year. PLDT put on 50 pesos at 1,610.

JAKARTA finished sharply higher in spite of late profit-taking in Telkom and consumer stocks. The composite index put on 8.97 or 1.6 per cent at 571.32 after touching the day's high of 573.95.

KUALA LUMPUR ended higher, buying of blue chips resumed in the afternoon after a late morning dip, and the composite index picked up 7.84 to 1,064.53.

Olympia fell 25 cents to M$2.05 on requotation after a three-week suspension, amid worries that its earnings would be eroded by cancellation of a Sabah state gaming licence.

SEOUL edged ahead to end on a positive note, in spite of selling pressure in the latter part of the day. The composite index closed at 842.80, up 0.06, after a high of 849.16.

SHENZHEN's hard currency B shares edged down in spite of Beijing's announcement that it would delay abolishing preferential tax treatment for companies which have sold a minimum of 25 per cent of their equity to foreign investors. The B index shed 0.08 to 61.33 while the A index slid 1.38 to 107.89.

SHANGHAI's B index closed 0.46 up at 51.87 on increased foreign demand, but the A index gave up 7.81 to 531.36.

Bullion price lifts South Africa

Gold shares closed an active day sharply higher after bullion broke above the $400 per ounce level, although some dealers said that the price needed to show more sustained strength if a rally were to be initiated.

They noted that the price had met resistance at $402, and that $407 had to be breached in the short term if it were to break out of the current trading pattern.

Industrials also made strong gains in the afternoon session, buoyed by strength on Wall Street. The overall index climbed 85.2 to 6,905.8, industrials advanced 50.4 to 8,685.1 and the golds index gained 108.7 at 1,672.0.

Among individual features, Anglos forged ahead R8 to R265, Vaal Reefs R33 to R340 and Kloof R3.25 to R44.50.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+2.04	+9.52	+0.55	-3.89	+4.28	+0.69
Belgium	+2.87	+6.84	+23.05	+21.61	+32.00	+27.46
Denmark	+2.52	+8.25	+12.99	+11.53	+22.89	+18.86
Finland	+1.52	-1.29	-10.70	-8.68	-0.16	-3.60
France	+2.89	+5.54	+8.31	+5.91	+15.95	+11.96
Germany	+1.62	+5.03	+13.27	+11.72	+21.26	+17.08
Ireland	+0.58	+4.46	+23.50	+23.29	+29.59	+25.13
Italy	+5.96	+5.44	-4.92	-0.03	+5.97	+2.32
Netherlands	+1.30	+4.72	+21.50	+20.74	+31.10	+26.59
Norway	-0.95	+3.59	+6.70	+3.41	+11.89	+8.04
Spain	+1.78	+2.98	+20.26	+18.95	+30.18	+25.69
Sweden	-0.19	+0.48	+15.46	+19.44	+36.80	+32.09
Switzerland	+0.82	+0.01	+25.55	+24.62	+41.52	+36.64
UK	+2.30	+2.34	+22.42	+20.98	+20.98	+18.81
EUROPE	+1.87	+3.39	+16.89	+15.97	+23.07	+18.82
Australia	+0.05	+0.63	+17.41	+15.58	+14.55	+10.61
Hong Kong	+1.86	+9.33	+41.33	+27.87	+32.53	+27.87
Japan	-0.41	+0.58	+7.74	+2.21	+0.38	-3.08
Malaysia	-1.05	+7.31	+19.08	+7.82	+11.78	+7.93
New Zealand	-2.00	-3.23	+1.21	+6.08	+14.08	+10.16
Singapore	+0.07	+5.31	+23.43	+12.41	+18.37	+15.26
Canada	+1.33	+1.78	+15.23	+13.66	+21.02	+16.86
USA	+1.70	-0.06	+30.48	+32.78	+37.51	+32.78
Mexico	+3.80	+11.14	+43.71	+27.39	-12.43	-15.44
South Africa	+1.31	+9.22	+45.12	+13.13	+30.96	+26.44
WORLD INDEX	+1.16	+1.50	+19.08	+17.05	+20.72	+16.56

† Based on January 19 1996. © Copyright 1996 Financial Times Limited, Goldman Sachs & Co, Standard & Poor's. All rights reserved.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 19 1996								THURSDAY JANUARY 18 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	189.85	-0.7	186.33	126.40	145.98	171.57	-0.2	3.90	191.14	186.20	127.22	146.03	171.93	198.40	157.95	168.26
Austria (26)	184.01	1.7	180.60	122.51	141.49	141.32	2.3	1.53	180.99	176.32	120.47	138.28	138.11	198.28	167.48	176.65
Belgium (34)	214.68	0.6	210.70	142.93	165.07	160.78	1.1	3.25	213.42	207.91	142.05	163.06	158.97	215.22	166.86	166.03
Brazil (28)	155.88	1.7	152.99	103.78	119.86	279.04	1.7	1.58	153.30	149.35	102.04	117.13	274.37	180.23	86.06	145.33
Canada (101)	151.20	0.3	148.39	100.66	116.26	148.38	0.5	2.50	150.67	146.79	100.29	115.12	146.68	153.18	121.81	126.16
Denmark (33)	298.79	-0.5	293.25	198.93	229.74	232.46	0.1	1.41	300.24	292.49	199.84	229.39	232.22	302.74	246.18	250.72
Finland (24)	179.26	0.9	175.94	119.35	137.84	166.91	1.4	1.88	177.63	173.05	118.24	135.72	166.65	276.11	171.13	190.23
France (99)	183.11	-0.1	179.71	121.91	140.79	145.00	0.4	3.01	183.19	178.47	121.94	139.96	144.49	191.17	157.79	161.23
Germany (60)	167.79	0.1	164.68	111.71	129.01	129.01	0.7	1.85	167.63	163.31	111.58	128.07	128.07	169.49	139.77	143.16
Hong Kong (59)	417.35	2.0	409.62	277.86	320.91	414.25	2.0	3.46	409.29	398.73	272.43	312.70	406.24	417.35	277.40	284.97
Ireland (16)	258.06	-0.9	253.28	171.81	198.42	231.99	-0.2	3.31	260.46	253.75	173.37	199.00	232.67	262.70	204.97	207.43
Italy (59)	77.04	2.8	75.61	51.29	59.24	91.18	3.1	1.61	74.95	73.02	49.89	57.26	88.49	82.71	65.45	79.67
Japan (482)	152.11	-0.2	149.29	101.27	116.96	101.27	-0.2	0.75	152.45	148.52	101.48	116.48	101.48	164.82	136.95	149.18
Malaysia (108)	517.38	1.4	507.79	344.46	397.82	508.31	1.3	1.63	510.14	496.98	339.55	389.75	501.59	561.96	398.18	434.06
Mexico (18)	1167.43	3.0	1175.24	797.21	920.72	6714.31	2.1	1.43	1162.64	1132.64	773.87	888.28	6514.69	1237.14	647.81	1127.14
Netherland (19)	274.55	0.3	269.46	182.78	211.10	207.38	0.5	3.15	273.64	266.58	182.14	209.07	205.58	280.49	217.89	217.98
New Zealand (14)	77.61	0.8	76.17	51.67	59.68	61.98	0.5	4.68	76.93	74.94	51.20	58.77	61.85	85.48	71.22	74.09
Norway (33)	230.30	-0.5	226.03	153.33	177.08	202.39	0.0	2.07	231.40	225.43	154.02	176.79	202.36	243.79	202.78	208.83
Singapore (44)	429.95	0.9	421.99	286.25	330.60	281.75	1.1	1.43	425.68	414.97	283.52	325.44	278.74	430.33	313.94	341.04
South Africa (45)	425.75	-0.1	417.86	283.45	327.36	339.26	0.0	3.47	426.20	415.21	283.68	325.63	339.39	428.05	281.06	301.79
Spain (37)	165.86	-0.2	162.79	110.43	127.54	156.53	0.2	3.90	166.23	181.95	110.65	127.01	156.18	168.91	124.10	128.93
Sweden (47)	305.27	-0.2	299.61	203.24	234.72	303.80	0.1	1.98	305.97	298.08	203.68	233.77	303.45	324.31	232.23	236.81
Switzerland (40)	225.71	-0.6	221.53	150.27	173.55	167.01	-0.1	1.59	227.10	221.24	151.18	173.51	167.12	239.55	162.35	165.12
Thailand (46)	184.29	1.8	180.67	122.68	141.70	180.65	1.9	2.26	180.95	176.28	120.44	138.25	177.61	185.37	130.15	144.55
United Kingdom (206)	227.59	-0.7	223.37	151.52	174.69	223.37	0.1	4.15	229.16	223.25	152.53	175.08	223.25	232.23	191.53	193.20
USA (632)	249.30	0.6	244.68	165.98	191.69	249.80	0.8	2.28	247.76	241.37	164.92	189.30	247.76	253.50	190.22	191.07
Americas (779)	227.94	0.6	223.72	151.76	175.27	191.54	0.8	2.27	226.49	220.65	150.78	173.05	190.33	231.18	175.22	176.09
Europe (733)	200.76	-0.1	187.04	133.66	154.36	174.67	0.4	3.01	201.05	195.87	133.82	153.61	173.91	204.32	167.26	168.69
Nordic (137)	272.32	-0.2	267.27	181.30	209.39	235.68	0.3	1.87	272.75	265.72	181.55	208.38	235.07	295.02	222.22	226.07
Pacific Basin (834)	164.18	0.0	161.14	109.31	126.24	112.64	0.0	1.18	164.17	159.94	109.28	125.43	112.59	171.87	145.93	155.76
Euro-Pacific (1567)	179.32	-0.1	175.99	119.36	137.88	136.18	0.2	2.03	179.44	174.81	118.43	137.09	135.87	183.39	154.73	161.05
North America (733)	243.21	0.6	238.70	161.92	187.01	242.56	0.6	2.28	241.73	235.50	160.90	184.69	241.08	246.93	186.14	187.04
Europe Ex. UK (527)	181.59	0.2	178.22	120.90	139.63	147.63	0.7	2.37	181.31	176.63	120.68	138.52	146.87	184.61	149.99	151.71
Pacific Ex. Japan (352)	277.34	1.0	272.20	184.64	213.25	245.30	1.1	3.01	274.55	267.47	182.75	209.76	242.57	278.83	211.18	222.32
World Ex. US (1759)	181.03	0.0	177.68	120.53	139.20	140.39	0.2	2.07	181.08	176.41	120.53	138.35	140.04	184.71	155.42	161.80
World Ex. UK (2185)	199.22	0.3	195.53	132.63	153.18	166.74	0.4	1.95	198.55	193.43	132.18	151.70	166.01	202.03	163.46	168.04
World Ex. Japan (1909)	229.58	0.4	225.33	152.85	176.53	216.67	0.6	2.59	228.70	222.80	152.22	174.73	215.39	232.30	181.60	183.28
The World Index (2391)	201.73	0.2	197.99	134.30	155.11	171.75	0.4	2.16	201.24	196.05	133.95	153.76	171.06	204.65	165.82	170.28

Latest prices were unavailable for this edition.